



Haverling
LONDON BOROUGH



Statement of Accounts 2021/22

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Dear residents,

We continue to recover from some of the most challenging years we have ever seen. Throughout, the focus of the Council has been on helping the residents of our borough cope with these extremely difficult circumstances. This includes the rising cost of living and rate of inflation, the economic and health impacts of the pandemic and the huge increase in local care needs.

I would say however, that the Council, and its staff, have gone above and beyond to respond to these difficult circumstances, and despite all this have continued to deliver vital front line services.



This year, we had the challenge of presenting a balanced budget, which serves the needs of our residents. This is set against the backdrop of our recovery from the Covid-19 pandemic, in particular the huge spike in the cost and demand for social care. This is along with reduced funding from government, the rising cost of living and the need to make a further £13m savings.

We will deliver a record increase in local social care funding to support our most vulnerable residents. In order to achieve this, residents will see an increase of 2.99% in their Council Tax bills in 2022/23. This includes a 1.99% increase on general Council Tax and a 1% increase, as set out by the Government, to support local social care.

To support residents with rising costs an extra £250k has been added to the £1.5m Havering Helps emergency fund which so far has helped almost 2,000 residents to pay bills, buy white goods if they have broken down or support them in other ways. Our budget also pledges an additional £30k for the Council's Community Hubs, £70k for the local voluntary sector and an additional £1m to extend the school holiday meals scheme until Christmas 2022 (now Government funding has ceased).

We also plan to build on the investment in our roads and pavements. So far our highways invest programme has seen over 100 miles of the worst roads and pavements improved since 2019, and residents are already benefitting from these improvements.

Following the opening of the Harrow Lodge leisure centre in Hornchurch, our investment in leisure facilities moves forward with construction underway on a brand new leisure centre for Rainham – due to open in 2023. This underlines our commitment to providing residents easy access to state-of-the-art leisure and sports centres right across the borough. Access to leisure facilities have proven benefits of physical and mental well-being, which are important considerations particularly given the events of the last few years

The Council will still deliver regular rubbish collections and street cleaning to ensure the borough remains a clean and pleasant place to live. We know parks in the borough are important to our residents. Our green spaces have proved a vital lifeline to so many during the pandemic. They will see continued investment this year. This along with a commitment to build on increasing the borough's record 16 green flags – means we will ensure our parks and playing fields remain great places for people to enjoy and exercise in.

We will look at maintaining our status as one of the most efficient councils in the country and we will continue with the transformation of how the Council delivers services to the borough's communities with improved technology to offer 24/7 online access for residents. This includes continued improvement in technology so Council staff can better support residents. The Council will also continue to look at how it uses its buildings and front line services such as libraries to make it easier for residents to access services.

It has been a challenging time for us, but I am pleased to say that our hard work over the years has paid off, and despite the impacts of the Covid-19 pandemic along with other challenges, the Council is in a good place to keep supporting residents making sure they get the services they need.

Just as this was being published we experienced a horrific fire in Wennington resulting in 19 homes being destroyed and damaged – with devastating consequences to local residents. This followed severe flooding last year which again impacted many residents. Unfortunately, we will need to be prepared for more severe weather events in future because of the changing climate. This will not only impact our residents and businesses but will also put further pressure on the Council's budget as we respond to these crises.

Andrew Blake-Herbert

Chief Executive, London Borough of Havering

2021/22: An Overview

Introduction

The Council's Statement of Accounts represent the financial performance of the past year and the overall financial position of the authority but it is not the whole story. It does not explain how we got here, where we want to go and how we plan to get there. It is also important to understand how service performance has driven income and expenditure and led to the end of year financial position. This narrative report will attempt to give you some insights into what it all means through linking financial facts to other data sources and our corporate objectives that are set by councillors.

The Corporate plan for 2021/22 explained how we planned to make a difference to the lives of people who live, work and learn in Havering. The plan informed the allocation of resources through our revenue budget and capital investments and created the basis for services across the Council.

At the start of the financial year we were still in the middle of the pandemic and Council services were still being heavily affected by the Government restrictions in place. As the year progressed the restrictions were eased and the Council was able to recommence many activities which had been stopped or delayed. The pandemic however has and continues to have an impact on both the demand and the level of services the Council provides.

The Government provided £6.6m of direct support in respect of the pandemic in 2021/22 and also provided funding to compensate for loss of income in the first three months of the year. This support has been welcome but it should be noted that the impact of the pandemic continues to affect demand levels in social care and some other areas such as leisure still have lower footfall than before the pandemic.

More recently Council services have been put under pressure as a result of high inflation and energy prices caused in part by the war in Ukraine. The impact of this is mainly on 2022/23 and future years but there was still some impact in 2021/22.

The Government funding largely covered the direct cost of the pandemic in 2021/22 but the indirect costs such as a large increase in demand in Social Care had a significant impact on the outturn position. The effects of the pandemic also caused delays to some of the planned efficiencies and savings for 2021/22 which resulted in an overspend at year end. The 2022/23 budget process recognised the impact of this and savings were only carried forward where plans were in place to achieve them in 2022/23.

The Outturn position showed an overspend of £7.994m primarily due to the increased demand in social care and delay in achievement of savings. It should be noted that contained within this figure was an £8m contribution to general balances which had been introduced into the budget with the aim of moving balances towards a target of £20m. The overspend position together with this planned contribution has meant that general balances have remained at just under £11m. The Council has further budgeted contribution to balances built into the 2022/23 budget and the 4 year medium term financial strategy and remains fully committed to moving towards the £20m target.

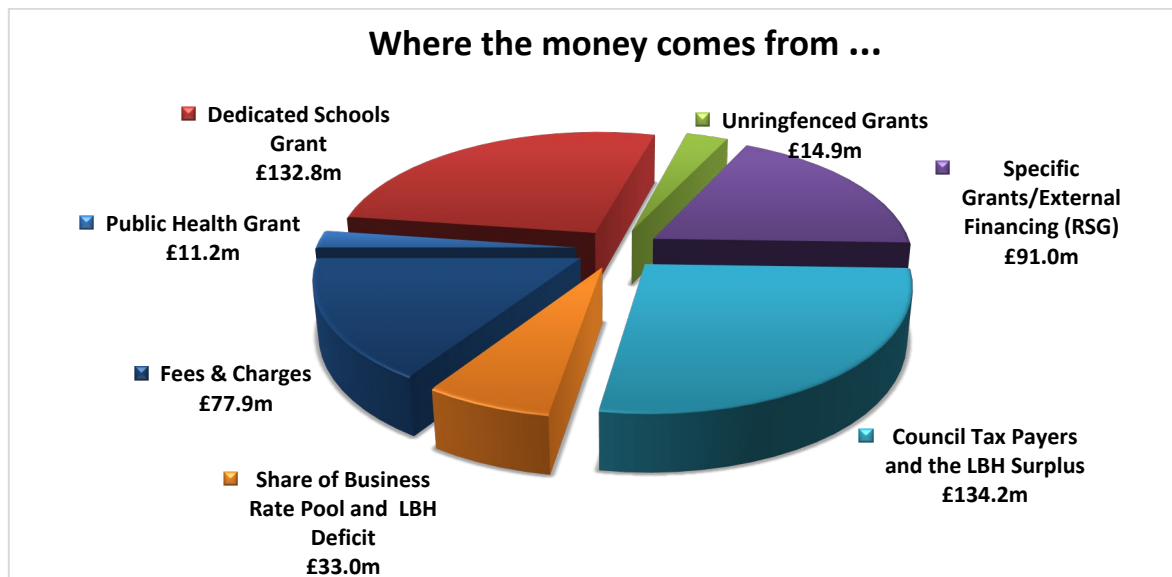
The current economic crisis will have a profound impact on local government and all authorities will face financial challenges in order to both deliver key services and balance their budgets. Havering is no different in this respect and will need to find significant efficiencies to be able to set balanced budgets in the future. The level of future central government funding remains a concern both in terms of the impact of future funding reform and more specifically regarding the adequacy of funding for fair cost of care.

2021/22 represented a difficult year financially for the Council with an outturn overspend caused by the after-effects of the pandemic and lockdown periods. The Council however continued to deliver high quality services to its residents through the year and has worked hard to contain costs and

develop efficiencies in the way it provides its services.

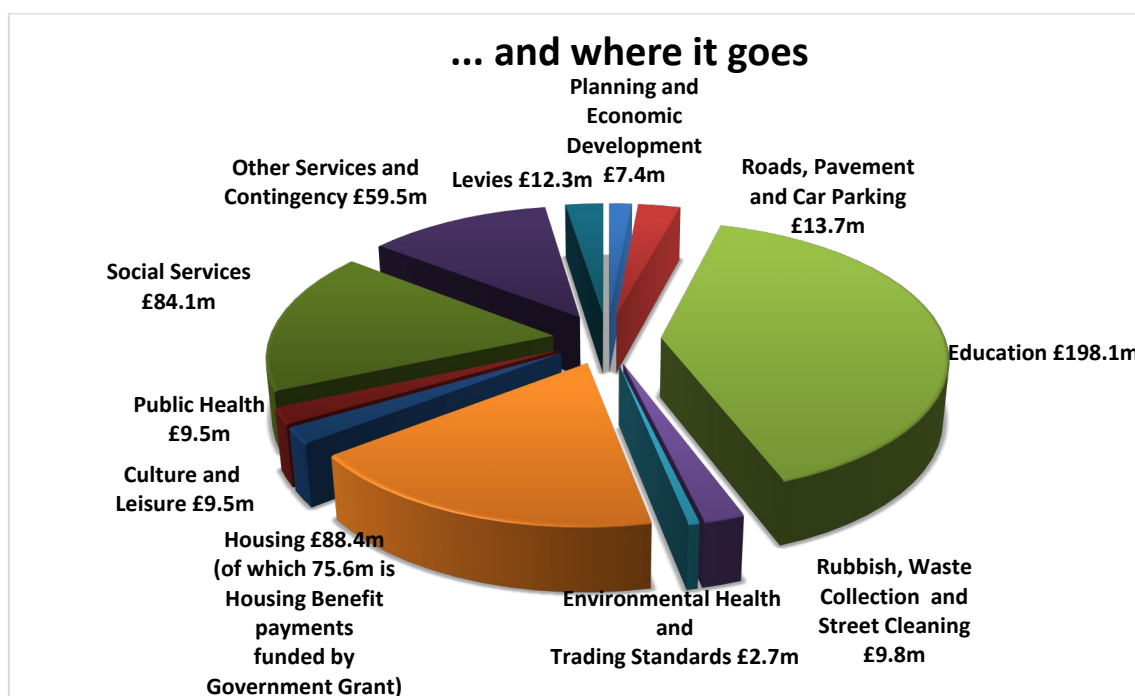
The Council has been incurring expenditure since March 2020 relating to the COVID Pandemic. It should be noted that in addition to the direct COVID costs being incurred the BAU (business as usual) pressures described later in this report are also largely as a consequence of demographic pressures following the pandemic. Both Adults and Children’s services have been experiencing significantly increased demand following the pandemic and undoubtedly there is a strong synergy between this increase in demand and the consequences of the pandemic.

The Government has provided a wide range of financial support during 2021/22 but this has been insufficient to fully meet the financial pressures the Council faced, leading to an overspend in the year of £19.702m. The financial picture reflected in these 2021/22 accounts is very different from any experienced before. This position is partially mitigated by government COVID support leaving a remaining pressure of £7.994m.



Cash In and Cash Out

Understanding the financial picture requires an understanding of where we receive our income and how we spend it. Approximately half of the monies such as Dedicated Schools Grant (£132.8m) are tied to a specific purpose; in this instance education, with the vast majority being passported to schools directly. These grants must only be spent on specific activities. The services for which there are no specific grants, such as highways and a lot of social care spends, is funded by the council tax, non-ring-fenced grants, fees and charges and business rates income. General Fund income totals nearly £495m but demand is continually rising, particularly in adult social care and children’s services. Living longer is obviously a good thing but social care and health spend is rising inexorably and this is why Havering is always searching for new ways to generate resources to pay for services that residents demand. The chart below shows where Havering’s funding was allocated in 2021/22.



Medium Term Financial Strategy 2020-24

The Council prides itself on its record of creating balanced budgets, delivering challenging savings programmes and carefully managing its finances within each financial year. It is this track record which has helped to build the foundations enabling a robust budget to be set for 2022/23.

In March 2022 Full Council agreed a balanced budget for 2022/23. In setting the 2022/23 budget the Council has developed its medium term financial strategy for future years. The plan makes assumptions about future pressures such as demographic growth, inflation and future government funding as well as including the full year effect of saving proposals already developed.

The March budget report included a snapshot of the medium term financial strategy but the plan is in reality a live document which is continually updated as new information becomes available. The Council has an annual process which commences during the spring and summer using the medium term financial strategy to establish the extent of savings and efficiencies that will be needed to balance the following year's budget.

The table below sets out the medium term financial strategy set out in the March 2022 budget report to Council

MEDIUM TERM FINANCIAL STRATEGY	2022/23	2023/24	2024/25	2025/26	4 Year Plan
	£m	£m	£m	£m	£m
Corporate Pressures	4.657	8.995	5.192	4.026	22.870
Demographic Pressures	14.322	4.996	3.500	3.500	26.318
Inflationary Pressures	5.346	2.234	2.724	2.724	13.028
Impact of Financial Settlement	-7.227	3.200	0.000	0.000	-4.027
Savings Proposals	-13.028	-11.535	-1.600	-1.600	-27.763
ASC Precept Increase	-1.360	0.000	0.000	0.000	-1.360
1.99% Council Tax increase	-2.710	0.000	0.000	0.000	-2.710
UPDATED POSITION	0.000	7.890	9.816	8.650	26.356

The 2022/23 budget included a package of £13.0m of savings which had been developed and reviewed throughout the budget process. The Council will closely monitor the progress on these savings and indeed any pressures that may emerge as part of the monthly revenue monitoring process in 2022/23. The budget also included a full appendix setting out the proposed fees and charges for the year.

The Council's financial position has changed in a way nobody could have imagined prior to the pandemic. The Government have provided additional general grant to help authorities but the outlook and financial recovery is likely to be slow with further pressures and risks during this process. There are also opportunities and the Council as part of its recovery plan is reviewing the way it provides all services to ensure a continued high quality service, efficiency and changed delivery methods where appropriate. It is expected this review will identify efficiency possibilities particularly through the Council's digital offer and the amount of building space occupied in the future.

The Medium Term Financial Position continues to be directly impacted by the following items:

- Demographic Pressures

The Council continues to experience demographic pressures particularly across social care but also across other services as the population increases each year. The Government has promised a long term solution for social care for many years but there has still been no formal announcements as to when this review will happen.

- Inflation

Staff pay awards are negotiated nationally and so the Council needs to plan assuming rises will be agreed. The Council also plans for contractual inflation on our main contracts and social care providers. The Council has also set aside funds to recognise the current increases in energy prices. This will be monitored very closely given the current volatility in this area.

- Government funding

The Government is expected to announce a further one year settlement in 2022 for the financial year 2023/24. It is unclear at this stage whether this will be impacted by the Governments initiatives to deliver the Levelling Up agenda. The MTFs also plans for the impact of the fair funding review which is now not expected until the 24/25 settlement as well.

- The continued impact of the COVID pandemic

The Government provided funding at the start of 2021/22 to cover COVID costs and losses of income but have provided no further general support thereafter. The Council is still experiencing legacy pressures following the pandemic such as increased social care demand and loss of income in leisure and other public realm areas where footfall and demand have not recovered fully yet

- The revenue cost of the capital programme

The Capital programme will bring long term financial benefits particularly through the successful completion of the Council's ambitious regeneration programme. The IT programme will also upgrade the Council's digital offer and enable efficiencies in the medium term. In the short term however there are borrowing and repayment costs which are fully factored into the Council's medium term financial planning. The Capital programme is reviewed quarterly as part of the Council's monitoring process each year.

The Council will only use general balances and earmarked reserves as a last resort to finance in year overspends. In setting the 2022/23 budget and medium term financial strategy the Council has included planned contributions to contribute towards the target of £20m in general balances the Council is aiming to reach. The Council will continue to review all expenditure and income streams to

improve the financial position and will engage with central government at every available opportunity to demonstrate the need for further funding, particularly as a result of current demographic demand and inflation levels.

Earmarked reserves, as detailed in Note 10 of the accounts, have been established to meet planned projects. These Earmarked Reserves are being reviewed to ascertain what can be made available to mitigate any revenue overspend in 2022/23.

Earmarked Reserves Position

	Balance as at 31 3 2020	Movement In-Year	Balance as at 31 3 2021	Movement In-Year	Balance as at 31 3 2022
	£000	£000	£000	£000	£000
General Fund Earmarked Reserves	54,168	17,623	71,791	(9,137)	62,654
Schools Balances	3,289	3,522	6,811	(468)	6,343
Total Earmarked Reserves¹	57,457	21,145	78,602	(9,605)	68,997

¹ In line with the Council's financial strategy, a considerable degree of professional judgement has gone into determining the level of reserves required to be held by the Council and how reserves are utilised. Amongst the earmarked reserves are specific ones put aside to manage known major contractual and legal liabilities in the medium term. In 2021/22 the level of earmarked reserves has reduced by £9.6m, this is mainly due to the funding of the 2020/21 Collection Fund deficit. The 2021/22 Collection Fund deficit rose due to NNDR reliefs awarded due to continuing COVID restrictions.

Against the Council's challenging financial background, it will be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget.

Havering's Balance Sheet

As can be seen below, Havering has a strong balance sheet with a debt to equity ratio consistently below 50%. Nonetheless, only by careful management is it able to undertake carefully considered capital investments across the Borough by increasing the level of borrowing and it still needs to take into account the cost of that borrowing and the payback period.

	31/03/2020	31/03/2021	31/03/2022
	£'000s	£'000s	£'000s
Long-term assets	1,375,218	1,565,506	1,662,531
Current assets	225,817	185,583	224,834
Current liabilities	(142,179)	(123,570)	(155,028)
Long-term liabilities	(676,705)	(828,984)	(793,961)
Net Assets	782,151	798,535	938,376
funded by:			
Usable reserves	201,450	208,998	216,673
Unusable reserves	580,701	589,537	721,703
Total Reserves	782,151	798,535	938,376
Borrowing	274,164	276,366	315,883
Debt to Equity Ratio	35.1%	34.6%	33.6%

Before we get into the detail of the financial performance, here is just a brief look back at past year achievements and highlights, linked to the core priorities for 2021/22:

Communities

In 2021-22 six school expansion projects were completed which made available 420 additional primary places, 300 additional secondary places and 28 SEND places

Despite the pandemic, 2021 saw a continued improvement in Ofsted outcomes for early years providers and schools, with 97% of our early years registered providers being graded as 'Good' or better, and 93% of our children in a school that is graded 'Good' or better.

Children's services last received a full Ofsted inspection in 2018 and are currently rated 'Good' overall. The most recent local area SEND inspection (also in 2018) did not result in any 'written statements of action.' The most recent focussed Ofsted visit of Children's Social Care in May 2021 recognised our continued progress and did not recommend any 'areas for priority action'.

Places

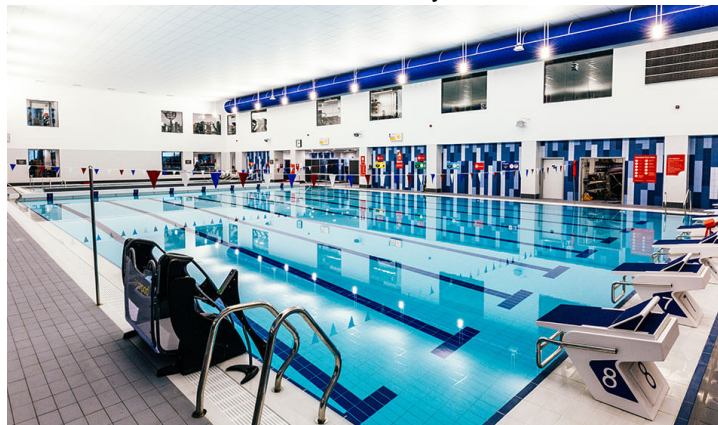
In 2020 we increased the number of Green Flags from 14 to 16 and have successfully retained them each year.

Our results in the prestigious 2021 London in Bloom competition were also outstanding with Havering achieving Gold award status along with twelve other gold awards for individual parks, one more than 2020, and three category winners.

We have finished amongst the highest achieving boroughs in the Parks for London 'Good Parks for London' report, with our score increasing in 2020 and again in 2021.

The Hornchurch Country Park memorial woodland won the 2022 Community Woodland award at the London Tree and Woodland Awards.

Work was completed on the new Harrow Lodge sports centre in Hornchurch to replace the previous dated centre which has been demolished. The centre has now been open for a year and has been very well received by residents.



A new leisure centre in the heart of Rainham is currently being constructed and is scheduled to open in June 2023. The new centre will include a 25 metre swimming pool, 72 station gym, two exercise studios and associated changing.

Covid has impacted all events and therefore they have been scaled down to comply with regulations. The Council still observed Armed Forces Day, Pride Week and Windrush Day, as well as a return after two years of the ever popular Langtons Summer Concert.

Opportunities

The Council is committed to building more affordable homes and increasing social housing in the Borough. This includes:

- **12 Estates:** Havering Council and joint venture partner Wates Residential have continued to work on a project to build around 3,000 high quality homes for local people across 12 of Havering Council's estates. As part of the project, the Council is investing in education, training and skills in support of their commitment to deliver a Borough-wide legacy.
- **Rainham and Beam Park:** Joint venture project with Notting Hill Genesis will deliver 910 homes, transform the A1306 into a new green space and improve transport links in the south of the Borough.
- **Bridge Close:** The Council plans to regenerate an industrial area in Romford with affordable homes, a new school and health centre. The project also includes a new pedestrian bridge with direct access to Romford station and the regeneration of a stretch of the River Rom.



Connections

The Council is working on economic recovery following the impact of the Covid Pandemic.

Havering's Discretionary Grant Scheme has provided vital funds to a wide range of local businesses that have been affected by COVID-19, according to those most in need.

Funding from the European Regional Development Fund has also supported businesses throughout the pandemic and helped ensure high streets can re-open safely.

Revenue Outturn

The Outturn position for the Council in 2021/22 was again affected by the COVID pandemic. As such the presentation of the outturn is separated into sections showing additional COVID expenditure, lost income as a result of COVID and Business as Usual (BAU) outturn including undelivered savings. The final outturn was a £7.994m overspend against a final net budget of £170m. The table below breaks this outturn between the impact of COVID and Business as Usual.

Financial Position	£m
Income loss for the year	6.919
Gap in 2020/21 MTFS savings delivery	5.278
Business As Usual Net Position	5.908
Total Pressures	19.702
Government Support including food supply	(6.599)
Value of Government support on loss of income	(1.640)
Corporate Underspends	(3.469)
Remaining Gap	7.994
Required use of reserves and balances	(7.994)
TOTAL	0.000

The pandemic has fundamentally affected all aspects of Council business. The Council has been incurring expenditure since March 2020 relating to the COVID Pandemic. It should be noted that in addition to the direct COVID costs being incurred, the BAU pressures are also largely as a consequence of demographic pressures following the pandemic. Both Adults and Children's services have been experiencing significantly increased demand following the pandemic and undoubtedly there is a strong synergy between this increase in demand and the consequences of the pandemic.

The £7.994m overspend is analysed by service in the following table:

Directorate	Revised Budget £'000	Final Outturn £'000	Final Outturn Variance £'000
Public Health	(1,624)	(1,624)	0
Childrens	45,678	50,523	4,845
Adults	62,751	68,394	5,643
Neighbourhoods	12,813	17,736	4,922
Regeneration	1,420	1,067	(353)
Housing	4,604	4,604	0
oneSource Shared	3,248	4,139	891
oneSource Non-Shared	(1,070)	825	1,895
Chief Operating Officer	9,775	10,507	732
Unachieved savings held centrally	(3,827)	0	3,827
Provisions and contingency application	2,700	0	(2,700)
Net Service	136,468	156,171	19,702
Treasury Management	7,954	5,048	(2,906)
COVID Funding (expenditure above)	8,240	0	(8,240)
Corporate Budgets	32,487	31,925	(562)
Budgeted Revenue Collection Fund Deficit	1,727	1,727	0
Specific Grants	(28,848)	(28,848)	0
Levies	12,256	12,256	0
Net Controllable Budget	170,284	178,279	7,994

The table below sets out the costs to date for 2021/22 directly attributable to COVID for the year.

Table 2: COVID Expenditure

COVID Expenditure	Outturn £m
Regeneration	0.039
Housing Service (GF)	0.000
oneSource Non Shared	0.000
oneSource (LBH share)	0.000
Adults	0.300
Public Health	0.000
Children	0.948
Chief Operating Officer	0.000
General Fund Total	1.597

Direct COVID expenditure has understandably reduced in 2021/22 as the recovery period commenced.

Neighbourhoods

The Neighbourhoods portfolio outturn position was an overspend of £0.433m broken down into a BAU underspend of £0.278m and unachieved savings of £0.711m. The outturn includes the benefit of the following mitigations:

- Increase in CEO PCNs income following increase in deployment - £0.306m work continues to increase deployment however there is risk surrounding embedding the new measures.
- Rationalise P&D machines (previously Stop the procurement of P&D Machines) and reduce levels of new procurements - £0.100m revenue.

Additional COVID expenditure:

- Additional public realm staffing and vehicle costs to maintain social distancing in waste services
- Additional mortuary costs including overtime and agency to clear backlog

Reduced Income:

- Income from Parking was significantly reduced, as a result of most people working remotely/from home demand for season tickets and Pay and Display was reduced. In addition, the impact of the one hour free; 20% discount and Havering hero's permits was greater than expected, as it encouraged customers to utilise the free period.
- There was a reduction in New Roads and Streetworks Act (NRSWA) relating to Fixed Penalty Notices (FPN) and s50 licences
- Reduced registrars income through closure during the first three months of the year and cancellation and delays to ceremonies

Housing Services (General Fund)

The outturn position was a breakeven position. The Housing GF outturn position is a breakeven position. Within this position there were transfers to reserves of £1m, for Out of Hospital Care, Rough Sleeping Initiatives and Homeless Prevention.

There was a cost of £0.200m for meeting the additional demand from homelessness and rough sleeping as a result of COVID 19 and the “everyone in” initiative. This expenditure has been covered from the COMF funding and therefore is not included in the above summary.

Adult Social Care (ASC)

The Adult Social Care (ASC) directorate outturn position for 2021/22 was an overspend of £5.260m. Overall the outturn overspend was driven by significant demand pressures as a result of continuing increases in the complexity and costs of provisions. The pressures include:

- increasing levels of complexity of need on discharge from hospital leading to significant increases in 1-2-1s and double handed packages of care
- ongoing increase in nursing care numbers linked to ongoing system pressure
- increases in homecare needs
- increased complexity and new demand in supported living.

In line with the NHS Discharge Guidance, actual expenditure incurred during the pandemic on new and increased packages of care following a discharge from hospital, was recharged to the NHS, over and above the costs the LA would normally incur in a non-Covid period.

Public Health

Spend is funded directly by the Public Health Grant and Havering always spends in accordance with the Grant requirements and operates within budget.

The outturn position for the Public Health Directorate is a nil BAU variance. Outturn is £11.391m against a £11.304m ring-fenced 2021/22 Public Health grant, with a contribution from the public health reserve of £0.087m resulting in a balanced position.

This forecast spend for Public Health has reduced since period nine due to the effects of the Omicron variant, this has meant that there has been a reduction in BAU services such as Health checks and Sexual Health Testing which has resulted in expenditure being lower than originally forecast.

The brought forward balance of the Public Health Reserve in 2021/22 was £2.595m and the final closing position of the reserve for 21/22 is £2.643m. There is an overall net change to the reserve of £0.048m increase, this is made up of a drawdown of £0.087 to fund activities within the main Public Health Grant and a contribution to the reserve of £0.135 for other Public Health England grants which sit outside the main grant.

Children's Services

Children's services overspent by £3.455m at year end. The directorate experienced income losses due to the impact of covid despite the opening of adult education and schools for the majority of primary and secondary pupils.

The additional Covid spend for the full year is £0.948m, mostly due to SEN (special education needs) home to school transports, additional costs for providing class room meals, School Sickness, staffing and other costs.

The Catering Service returned a significant loss of income due to the disrupted meal take-up due to partial school closures at short notice at the end of the summer term, and increased service costs through additional disposable costs.

The Attendance, Behaviour and Traveller Service has forecasted a loss due to loss of income from fines because of disruption in schools due to COVID-19.

Chief Operating Officer

The Chief Operating Officer service recorded an underspend of £0.9m. The BAU position for Transformation Service is an overspend of £0.4m due to incurring costs which it was originally thought could be capitalised but did not meet the necessary criteria.

The overspend is partly mitigated by underspends in many areas including holding off on recruitment throughout the financial year in order to contribute towards reducing pressures elsewhere, repurposing business grant funding to offset staffing costs and underspends within customer and communication.

The COO directorate still incurred a loss of income due to the pandemic and the consequent reduction in activity levels.

There was a loss of income compared to budget from our Leisure provider SLM at year-end. Customers are increasing again at the leisure facilities and Council is working closely with SLM to review the model both in relation to income levels but also recognising the impact of inflation and energy costs.

There was a reduction in income for the Fairkytes Art Centre and the libraries. Activities run at the Fairkytes Art Centre is dependent on customers' willingness to return to the centre and as such, as there was a decline of the numbers of customers that attended the centre less activities were undertaken.

OneSource

OneSource lost income as a result of the pandemic due primarily to reduced income from many areas including social distancing requirement for transport services and an increase in void properties resulting in a loss of commercial income for the council. The service also had a number of overspends due to staffing pressures and delayed delivery of savings. The service is working hard in 2022/23 to deliver these savings and return to a balanced position.

Capital Outturn

Capital expenditure forms a large part of the Council's spending on the provision of services. The Council's capital programme is designed to acquire new, and enhance its existing assets to support the future growth and development of the Borough.

In 2021/22, there was £147m of capital expenditure; this has resulted in notable capital outcomes, which are outlined below:

- An additional 1,050 primary school and 600 additional secondary school places across the Borough. There were 40 additional special educational needs and disabilities (SEND) places for pupils with an EHCP (Education and Health Care Plan).
- Expenditure of £800k has been spent on enhancing ICT Infrastructure.
- A new leisure centre in Hornchurch (Harrow Lodge Leisure Centre) was completed and the construction of a leisure centre in Rainham is ongoing.
- As part of the highways improvement programme: resurfacing/improvement works have been completed on over 20 miles of roads and 18 miles of pavements (51 sites) within the Borough
- In Housing, 57 new properties have been added to the Council's housing stock and a further £42.8m has been spent on improving the existing housing stock
- Over £2m has been spent on capital works across the Borough's schools.
- In the regeneration of Rainham & Beam Park there has been further equity contributions in the joint venture with Notting Hill Genesis which is working towards the development of 910 new homes.

Actual capital spend at the end of the financial year 2021/22 was £147.054m financed from a variety of sources as set out below.

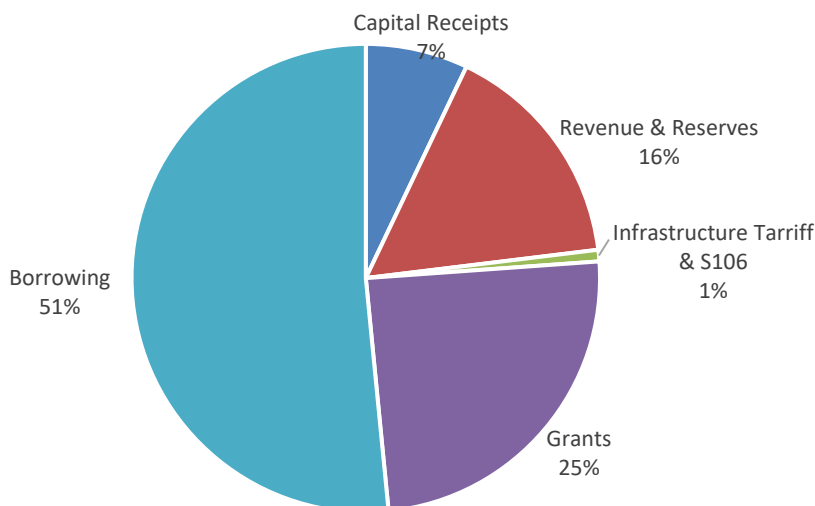
Services	2021/22 Capital Expenditure £m	Financing				
		Capital Receipts £m	Revenue and reserves £m	Infrastructure Tariff and S106 £m	Grants £m	Borrowing £m
Adults Services	2.040	0.020	0.000	0.000	12.020	0.000
OneSource	10.117	2.299	0.000	0.423	7.033	0.362
Neighbourhoods	17.989	0.036	0.049	0.087	0.260	17.567
Regeneration Programme	3.944	0.000	0.000	0.225	0.701	3.017
Chief Operating Officer	6.151	1.873	0.000	0.433	0.152	3.693
Housing Services	105.125	6.112	22.659	0.000	25.307	51.045
Children's Service & Schools	1.687	0.062	0.807	0.000	0.679	0.137
Grand Total	147.054	10.403	23.516	1.170	36.152	75.812

Sources of Funding

The use of resources to finance capital spend is changing over time as less and less capital receipts are being generated from the sale of assets and greater reliance, particularly for the large regeneration schemes, is being placed on the use of borrowing.

The Council's Capital funding in 2021/22 is illustrated below.

How the Capital Programme is funded 2021/22



Capital Programme

The Council is required by statute (The Prudential Code for Capital Finance in Local Authorities) to agree and set the capital programme and associated capital strategy. The capital programme agreed by Members over the next 5 years amounts to £1,433m and is set out in the table below:

Summary of Capital Programme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults Services	5.844	1.618	0.000	0.000	0.000	4.945
Asset Management	5.674	0.838	3.724	0.000	0.000	10.236
Registration & Bereavement Services	6.199	6.462	3.280	1.980	1.180	19.101
Children Services	0.944	0.891	0.000	0.000	0.000	1.835
Customer, Communications & Culture	27.921	3.470	0.750	0.000	0.000	32.141
Environment	0.410	0.000	0.000	0.000	0.000	0.410
ICT Infrastructure	7.993	7.624	21.730	0.000	0.000	37.347
Finance	5.075	3.980	1.720	1.650	1.650	14.075
Regeneration Programme	167.993	198.106	23.626	2.656	14.395	406.776
Total GF Capital Programme	228.053	222.989	54.830	6.286	17.225	529.384
HRA	170.642	180.971	195.315	180.575	176.513	904.017
Total Capital Programme	398.695	403.961	250.145	186.861	193.738	1,433.401

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However with receipts reducing the Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes.

Treasury Management

The Council held approximately £137.4 million in cash and investments on average during the course of the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given the Council's gross expenditure is approximately £626.9m, this represents over two months of expenditure.

The primary objective of the Authority's investment strategy is to minimise risk. The credit ratings of the banks and market information are monitored regularly by officers who are involved in the investment process while deposits are restricted to a limited number of institutions meeting the Authority's lending criteria. Total cash, cash equivalents and investments held by the Authority at 31 March 2022 amounted to £137m (£117.8 m at 31 March 2021). The average yield from the Authority's cash investments for 2021/22 was 0.28% (0.79% for 2020/21). This reflects the conservative nature of the Authority's investment strategy and historically low interest rates. The impact of the UK's exit from the European Union continues with uncertainty around its impact on borrowing and investment rates as well as general inflation. The Council will however continue to take steps within its Treasury Management Strategy to mitigate associated risks.

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However, as can be seen by the capital programme above with its £1.433 billion budget, the capital ambition of the Council will exceed the potential capital receipts available. The Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes. Over the next couple of years, the Treasury return will fall and the cash and cash equivalents will be reduced to working capital.

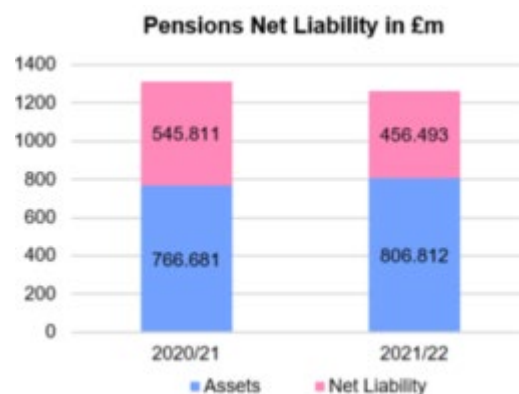
Pension Fund

The Council participates in the Local Government Pension Scheme (LGPS) for the majority of its staff. The net estimated pension liability for Havering using "IAS19" is £456.5m as at 31st March 2022 compared with £545.8m as at 31st March 2021.

Estimation of liability is based on a number of judgements relating to the discount rate used, salary increases, changes in retirement age, longevity, interest rates, inflation and expected returns on assets. Also, it has taken into account the impact of the recent McCloud ruling and GMP equalisation.

The Pension Fund's net assets increased significantly in 2021/22, from £766.7m to £806.8m due to investment market increases in 2021/22 and the liability decreased from £1,312.5 to £1,263.2m due to a higher net discount rate.

The net liability is the additional amount that the Council will have to set aside or generate through investment returns to fund the pension entitlements that have been built up to date by members of the Pension Fund. The most important thing to note is that the actuaries reviewed our position as at 31 March 2019 and came to the conclusion that the Council had a viable long-term solution to reducing the Pension Fund deficit to zero. The next Triennial Review will take place in 2022. Further information on the basis of the IAS19 disclosure is included at Note 42.



Section 151 Officer, London Borough of Havering

Explanation of Accounting Statements

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used a glossary of the terms is set out at the end of the document.

The key financial statements set out within this document include:

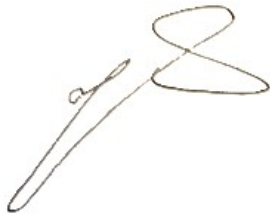
- **Movement in Reserves Statement (MiRS)** – This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in the net worth of the Authority as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations.
- **Comprehensive Income and Expenditure Statement (CIES)** – This statement brings summarises the expenditure and income for the year.
- **Balance Sheet** – This records the Authority's year-end financial position. It shows the balances and the reserves at the Authority's disposal, its long term debt, net current assets and liabilities, and summarises information on the long-term assets held.
- **Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.
- **Notes to the Financial Statements** – The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements.
- **Expenditure Funding Analysis (EFA)** – This is a note to the accounts and shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would be accounted by private sector bodies under generally accepted accounting practices.
- **Housing Revenue Account (HRA)** – This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Authority Housing.
- **Collection Fund** – The Authority is responsible for collecting council tax and non-domestic rates, and to keep a separate account to detail the amounts owing to and from the Council, the GLA and the DLUHC.
- **Pension Fund** – The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority, acting as trustee, and its Accounts are separate from those of the Authority.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Executive.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.



Councillor Julie Wilkes
Chair of Audit Committee

The Chief Operating (Section 151) Officer's Responsibilities

The Chief Operating (Section 151) Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

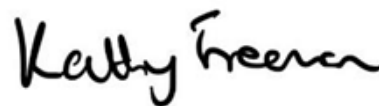
In preparing this statement of accounts the Chief Operating (Section 151) Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Chief Operating (Section 151) Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.



Chief Operating (Section 151) Officer
10th December 2024



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING

Disclaimer of Opinion

We were engaged to audit the financial statements of London Borough of Havering ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the Council and Group Movement in Reserves Statement, Council and Group Comprehensive Income and Expenditure Statement, Council and Group Balance Sheet, Council and Group Cash Flow Statement, the related notes 1 to 45, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 5, Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASMC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13 December 2024.

We completed the audit of the 2020/21 financial statements in November 2024 and issued our audit opinion on 10 December 2024.

The backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2021/22 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)

We report to you if

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and

Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- **Report on the Group and Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources**

We report to you, if we are not satisfied that the Group and Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Group and Council's arrangements for the year ended 31 March 2022.

- **Significant weaknesses in arrangements**

Our judgement on the nature of the weaknesses identified in relation to financial sustainability:

Whilst the Council set a balanced budget for 2021/22 in February 2021 and for 2022/23 in February 2022, it reported overspends against those budgets of £8m and £7.8m respectively. The overspends are linked to:

- the impact of not achieving the full planned savings in successive years ;
- increasing pressures on demand led services, particularly social care, and the associated challenges to manage expenditure in these areas; and
- pressures from inflationary pressures across services .

The reported outturns for 2021/22 and 2022/23 required the use of one-off measures, particularly the use of £8m and £7.8m of earmarked reserves. Overspends against planned budgets and the use of one-off mitigations to manage the financial position is not sustainable and represents a significant weakness in arrangements for 2021/22.

• **The evidence on which our view is based:**

- The Council's 2021/22 and 2022/23 budget
- The Council's Budget Monitoring Outturn Report 2021/22 which set out the overspends incurred
- Letter from the Council to DLUHC (now MHCLG) in November 2023 seeking alternative funding options to mitigate the risk that it would need to issue a notice under Section 114(3) of the Local Government Finance Act 1988

• **The impact on London Borough of Havering:**

Without sustainable solutions to manage the financial position of the Authority, there is a risk the Council is not able to set a balanced budget, and that there will be an impact on the quantum and/or quality of services it delivers.

• **The action the body needs to take to address the weakness:**

The Council should demonstrate transparency of the Council's financial planning and monitoring, identifying the need for any future exceptional financial support in each future financial years whilst maintaining the minimum level of General Fund reserves advised by the Section 151 Officer.

Specifically:

- Both Members and Senior Management should take a transparent approach to discussing and addressing the challenging financial position that the Council faces with Central Government.
- The Council needs to continue to identify and address the future budget gaps as part of their working with MHCLG, highlighting the need for Exceptional Financial Support, to enable the continued provision of core services.
- The financial impact of the additional Exceptional Financial Support costs needs to be incorporated into the Council's Medium Term Financial Plans.

This issue is evidence of weaknesses in proper arrangements for financial sustainability, including how the Council plans and manages its resources to ensure it can continue to deliver services. This includes how the Council plans to bridge its funding gaps and identified achievable savings; and how it plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

Responsibility of the Chief Operating (Section 151) Officer

As explained more fully in the ' *Statement of Responsibilities for the Statement of Accounts*' set out on page 17, the Chief Operating (Section 151) Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Operating (Section 151) Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating (Section 151) Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether London Borough of Havering had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Havering put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, London Borough of Havering had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of London Borough of Havering in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Council and the Group and Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON

ERNST & YOUNG LLP

Date: 10th December 2024

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Footnote:

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Audit Completion Report for Those Charged with Governance dated 18 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFNLASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFNLASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Operating (Section 151) Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Operating (Section 151) Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the "*Statement of Accounts 2021/22*", other than the financial statements and our auditor's report thereon. The Chief Operating (Section 151) Officer is responsible for the other information contained within the Statement of Accounts 2021/22.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Chief Operating (Section 151) Officer

As explained more fully in the '*Statement of Responsibilities for the Statement of Accounts*' set out on page 17, the Chief Operating (Section 151) Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Chief Operating (Section 151) Officer is also responsible for such internal control as the Chief Operating (Section 151) Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Operating (Section 151) Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Chief Operating (Section 151) Officer.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of Management. We corroborated this through our reading of the Pension Board minutes, and through the inspection of other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations and investment income to be our fraud risk.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements and confirmed investment income through third party evidence.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation of the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Havering and its members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON

ERNST & YOUNG LLP

Date: 10th December 2024

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Group Movement in Reserves Statement 2021/22

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority and the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the group reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Authority's Share of Reserves of Subsidiaries / Joint Ventures	Total inc Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	12,687	57,457	9,832	49,219	21,732	50,523	201,450	580,701	(1,606)	780,545
<u>Movement in reserves during 2020/21</u>										
(Deficit)/surplus on provision of services	(9,718)		46,121				36,403		3,770	40,173
Other comprehensive expenditure and income								(20,021)	(125)	(20,146)
Total comprehensive expenditure and income	(9,718)	0	46,121	0	0	0	36,403	(20,021)	3,645	20,027
Adjustments between accounting basis and funding ba	28,854		(38,668)	(11,755)	(8,354)	1,067	(28,856)	28,856		
Net (decrease)/increase before transfers to earmarl	19,136	0	7,453	(11,755)	(8,354)	1,067	7,547	8,835	3,645	20,027
Transfers to/(from) Earmarked Reserves	(20,887)	21,144	(257)				0			0
(Decrease)/Increase in Year	(1,751)	21,144	7,196	(11,755)	(8,354)	1,067	7,547	8,835	3,645	20,027
Balance at 31 March 2021	10,936	78,600	17,028	37,464	13,377	51,590	208,995	589,536	2,039	800,570
<u>Movement in reserves during 2021/22</u>										
(Deficit)/surplus on provision of services	(15,551)		55,102				39,551		(1,083)	38,468
Other comprehensive expenditure and income							0	100,289	303	100,592
Total comprehensive expenditure and income	(15,551)	0	55,102	0	0	0	39,551	100,289	(780)	139,060
Adjustments between accounting basis and funding ba	6,209		(52,814)	18,531	(4,719)	914	(31,879)	31,879		0
Net (decrease)/increase before transfers to earmarl	(9,342)	0	2,288	18,531	(4,719)	914	7,672	132,168	(780)	139,060
Transfers to/(from) Earmarked Reserves	9,348	(9,605)	257				0			0
(Decrease)/Increase in Year	6	(9,605)	2,545	18,531	(4,719)	914	7,672	132,168	(780)	139,060
Balance at 31 March 2022	10,942	68,994	19,573	55,995	8,657	52,504	216,669	721,704	1,255	939,630

Authority Movement in Reserves Statement 2021/22

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	12,687	57,457	9,832	49,219	21,732	50,523	201,450	580,701	782,151
Movement in reserves during 2020/21									
Deficit/surplus on provision of services	(9,718)		46,121				36,403		36,403
Other comprehensive expenditure and income							0	(20,021)	(20,021)
Total comprehensive expenditure and income	(9,718)	0	46,121	0	0	0	36,403	(20,021)	16,382
Adjustments between accounting basis and funding basis under regulations (Note 9)	28,854	0	(38,668)	(11,755)	(8,354)	1,067	(28,856)	28,856	0
Net decrease/increase before transfers to earmarked reserves	19,136	0	7,453	(11,755)	(8,354)	1,067	7,547	8,835	16,382
Transfers to/from Earmarked Reserves (Note 10)	(20,887)	21,144	(257)				0		0
Decrease/increase in Year	(1,751)	21,144	7,196	(11,755)	(8,354)	1,067	7,547	8,835	16,382
Balance at 31 March 2021	10,936	78,601	17,028	37,464	13,377	51,590	208,998	589,536	798,535
Movement in reserves during 2021/22									
(Deficit)/surplus on provision of services	(15,551)		55,102				39,551		39,551
Other comprehensive expenditure and income							0	100,289	100,289
Total comprehensive expenditure and income	(15,551)	0	55,102	0	0	0	39,551	100,289	139,840
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,209	0	(52,814)	18,531	(4,719)	914	(31,879)	31,879	0
Net (decrease)/increase before transfers to earmarked reserves	(9,342)	0	2,288	18,531	(4,719)	914	7,672	132,168	139,840
Transfers to/from Earmarked Reserves (Note 10)	9,348	(9,605)	257				0		0
(Decrease)/Increase in Year	6	(9,605)	2,545	18,531	(4,719)	914	7,672	132,168	139,840
Balance at 31 March 2022	10,942	68,997	19,573	55,995	8,658	52,504	216,672	721,704	938,377

Group Comprehensive Income and Expenditure Statement 2021/22

The Group Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2020 – 31 March 2021				1 April 2021 – 31 March 2022		
£000	£000	£000		£000	£000	£000
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net
			Gross expenditure, gross income and net expenditure of continuing operations			
33,397	(2,410)	30,987	Corporate Budgets	32,485	(9,157)	23,328
44,302	(22,666)	21,636	Neighbourhoods	61,960	(31,718)	30,242
25,863	(65,693)	(39,830)	Housing	46,217	(69,776)	(23,559)
10,500	(12,281)	(1,781)	Regeneration Programme Delivery	11,689	(11,645)	44
97,547	(32,956)	64,591	Adult Services	108,442	(41,205)	67,236
205,731	(151,409)	54,322	Children's Services	234,192	(162,249)	71,943
15,588	(19,710)	(4,122)	Public Health	14,925	(13,757)	1,168
84,844	(70,193)	14,651	oneSource Non-Shared	89,645	(76,273)	13,371
24,790	(6,309)	18,481	oneSource Shared	20,332	(16,440)	3,892
542,562	(383,627)	158,935	Cost of services	619,886	(432,222)	187,664
		16,191	Other operating expenditure			(8,434)
		15,522	Financing and investment income and expenditure			18,698
		(230,819)	Taxation and non-specific grant income			(236,394)
		(40,171)	(Surplus)/Deficit on provision of services			(38,466)
		(99,572)	(Surplus)/Deficit on revaluation of property, plant and equipment assets			8,855
		119,718	Actuarial losses/(gains) on pension assets / liabilities			(109,447)
		20,146	Other comprehensive income and expenditure			(100,592)
		(20,025)	Total comprehensive income and expenditure			(139,058)

Authority Comprehensive Income and Expenditure Statement 2021/22

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2020 – 31 March 2021				Notes	1 April 2021 – 31 March 2022		
£000 Gross Expenditure	£000 Gross Income	£000 Net			£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations				
33,397	(2,410)	30,987	Corporate Budgets		32,485	(9,157)	23,328
44,302	(22,666)	21,636	Neighbourhoods		61,960	(31,718)	30,242
25,863	(65,693)	(39,830)	Housing		46,217	(69,776)	(23,559)
7,448	(1,692)	5,756	Regeneration Programme Delivery		10,613	(9,476)	1,137
97,547	(32,956)	64,591	Adult Services		108,442	(41,205)	67,236
205,731	(151,409)	54,322	Children's Services		234,192	(162,249)	71,943
15,588	(19,710)	(4,122)	Public Health		14,925	(13,757)	1,168
84,844	(70,193)	14,651	oneSource Non-Shared		89,645	(76,273)	13,371
24,790	(6,309)	18,481	oneSource Shared		20,332	(16,440)	3,892
539,510	(373,038)	166,472	Cost of services		618,810	(430,053)	188,757
		16,162	Other operating expenditure	11			(8,460)
		12,900	Financing and investment income and expenditure	12			16,600
		(231,939)	Taxation and non-specific grant income	13			(236,446)
		(36,405)	(Surplus)/Deficit on provision of services				(39,549)
		(99,572)	(Surplus)/Deficit on revaluation of property, plant and equipment assets	25a			9,111
		119,593	Actuarial losses/(gains) on pension assets / liabilities	25e			(109,400)
		20,021	Other comprehensive income and expenditure				(100,289)
		(16,384)	Total comprehensive income and expenditure				(139,838)

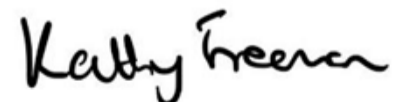
Balance Sheet as at 31 March 2022

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the group. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021 Authority £000	31 March 2021 Group £000		Notes	31 March 2022 Authority £000	31 March 2022 Group £000
1,432,160	1,450,251	Property, plant and equipment	14	1,531,839	1,559,759
2,319	2,319	Heritage assets	15	2,387	2,387
64,552	112,505	Investment property	16b	61,313	108,859
621	621	Intangible assets	17	269	269
0	0	Long term investments	18	0	0
13,980	693	Long term investments in subsidiaries and joint ventures	16d	13,410	0
51,874	215	Long term debtors	19	53,313	60
1,565,506	1,566,604	Long-term assets		1,662,531	1,671,334
110,276	110,276	Short-term investments	18	85,110	85,110
400	400	Inventories		454	454
67,046	64,677	Short-term debtors	19	78,918	77,192
7,861	13,177	Cash and cash equivalents	20	60,283	61,198
0	0	Assets held for sale	21	0	0
185,583	188,530	Current assets		224,765	223,954
(12,242)	(11,938)	Short-term borrowing	18	(1,760)	(1,760)
(111,328)	(112,266)	Short-term creditors	22	(153,199)	(156,696)
(123,570)	(124,204)	Current liabilities		(154,959)	(158,456)
		Long-term creditors			
(10,955)	(12,075)	Provisions	23	(10,764)	(11,936)
(264,124)	(264,245)	Long-term borrowing	18	(314,123)	(316,071)
(545,811)	(545,946)	Other long-term liabilities	42	(456,493)	(456,614)
(8,094)	(8,094)	Capital grants receipts in advance	35b	(12,581)	(12,581)
(828,984)	(830,360)	Long-term liabilities		(793,961)	(797,202)
798,535	800,570	Net assets		938,376	939,630
208,999	211,034	Usable reserves	24	216,673	217,927
589,536	589,536	Unusable reserves	25	721,703	721,703
798,535	800,570	Total Reserves		938,376	939,630

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Authorised for Issue
Kathy Freeman



Chief Operating (Section 151) Officer
London Borough of Havering Date:
10th December 2024

Cash Flow Statement as at 31 March 2022

The Cash Flow statement shows the changes in cash and cash equivalents of the Authority and the Group during the reporting period. The statement shows how the Authority / Group generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority / Group are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2020/21 Authority £000	2020/21 Group £000		Note	2021/22 Authority £000	2021/22 Group £000
36,405	40,171	Net surplus on the provision of services		39,549	38,468
3,889	2,746	Adjust net surplus or deficit on the provision of services for non-cash movements	26	86,824	87,735
(35,287)	(35,287)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(58,312)	(57,986)
5,007	7,630	Net cash flows from Operating Activities		68,061	68,217
(28,645)	(27,062)	Investing activities	27	(49,697)	(51,593)
4,749	4,749	Financing activities	28	34,058	31,397
(18,889)	(14,683)	Net increase /(decrease) in cash and cash equivalents		52,422	48,021
26,750	27,860	Cash and cash equivalents at the beginning of the reporting period	20	7,861	13,177
7,861	13,177	Cash and cash equivalents at the end of the reporting period	20	60,283	61,198

Notes to the Core Financial Statements

1. Accounting Policies

Going Concern

The accounts are prepared on a going concern basis, on the assumption that the functions of the Council will continue in their current or similar form for the foreseeable future. The Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription, and there is no notice from Government to that effect.

The Council regularly reviews its cashflow forecasting and the Medium term financial strategy fully reflects the potential borrowing costs required. The Council ensures it has sufficient liquidity to pay all its liabilities and keeps a schedule of forthcoming major payments to help its short term borrowing strategy. The Council does have a significant capital programme over the next five years and there will be planned borrowing, either from the Public Works Loans Board (PWLB) or other sources, to fund this programme. The timing and extent of the capital programme is under regular review. The Council is of the view that appropriate loan arrangements will be available if required. The Council is forecast to be within its authorised limit and operational boundary for external debt and has significant headroom between its forecast gross debt and its capital financing requirement.

In making its going concern assessment, the Council must also consider its budgets and the level of reserves. The Council assesses its financial position for future years through the medium-term financial planning process. At the Full Council meeting in February 2024, the budget for 2024/25 was agreed relying on £15.4M of new planned savings and £32.5M of assumed Exceptional Financial Support from Government (in the form of a capitalisation direction) to achieve a balanced position.

The Government has required the Council to prepare a Transformation and Improvement Plan and undergo an independent financial management assessment as a condition to receive Exceptional Financial Support. The CIPFA Review assessed the Council on the following areas:

- Financial management and sustainability
- Capital programme, debt, investments and assets
- Governance, management processes, culture and leadership
- Service delivery
- Improvement plan and roadmap

The Financial Management review was concluded by CIPFA in summer 2024 and at the time of writing this statement, the report remains subject to formal sign off by the Ministry of Housing, Communities and Local Government (MHCLG).

Members approved the Council's Improvement and Transformation Plan on 24th July 2024.

Alongside this, work is continuing during 2024/25 on bringing forward further proposals to reduce in-year spending and to help close the forecast budget shortfall in 2025/26 and future years.

The Exceptional Financial Support the Council has requested is for one year only and a further budget shortfall in excess of c£40M (excluding the ongoing impact of the 24/25 Exceptional Financial Support) was forecast for 2025/26 and an additional Exceptional Financial Support will be needed to address this shortfall.

Due to the short term nature of Exceptional Financial Support, which is still in the process of being agreed by the Government, there is uncertainty on the Council's funding position for 2024/25 and beyond. However, the Council has and will continue to have sufficient liquidity over the MTFs period to make payments to the workforce, contractors, suppliers and honour all of its financial commitments. The Council will be reliant on either further Exceptional Financial Support or a significant improvement in the level of grant from central government in order to balance future budgets including 2025/26.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts which the Accounts and Audit (England) Regulations 2015 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United*

Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Outstanding creditors are written out of the accounts if they have not been billed for by the supplier after a period of one year, however a sample of outstanding balances will be sampled and adjusted for if required;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de-minimis for 2021/22 remains at £50,000.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition or notice accounts of no more than 3 months and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Within the accounts the Comprehensive Income and Expenditure Statement has been restated to comply with the CIPFA code; 'Telling the story'. This is to improve the presentation and transparency of the Council's financial statements.

v. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (the Minimum Revenue Provision). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by an adjusting transfer to the General Fund Balance from the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is

written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexitime) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service line or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Authority are members of three separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service Pension Scheme, administered by the National Health Service; and
- the Local Government Pension Scheme, administered by the Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the Teachers' and National Health Service schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. Those schemes are therefore accounted for as if they were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education and Public Health Services lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' and National Health Service Pensions Scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

- The liabilities of the London Borough of Havering Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the London Borough of Havering Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unlisted securities – current bid price; and
 - property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other comprehensive income and expenditure;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other comprehensive income and expenditure;
 - contributions paid to the London Borough of Havering pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated

according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was

payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

All Town and Country Planning Act 1990 (as amended) Section 106 contributions, because of their complex nature and numerous legal conditions, are only recognised through the Comprehensive Income and Expenditure Statement once they have been spent. Only then are we certain all conditions have been met and there is no return obligation.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund and Housing Revenue Account balances in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Non Ring-fenced Grants

These are allocated by Central Government directly to local authorities as additional revenue funding. They are not ring-fenced and are credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

The Authority is the billing authority for the London Riverside Business Improvement District (BID) managed by Ferry Lane Action Group, which provides a cleaner, safer, more secure business environment and promotes the interests of the business community within the BID. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) on the balance sheet. The Authority has similar arrangements for the Romford Town Centre BID, which went live during 2018/19.

xii. Heritage Assets

The Authority's Heritage Assets are split into two categories

- Civic Regalia; and
- Heritage Buildings.

Civic Regalia

The collection of civic regalia includes the Mayor's and the Deputy Mayor's chains, which are worn on ceremonial duties and various items with civic insignia. They are valued based on manufacturing costs and do not include any element for rarity or collectable value, retail mark-up or VAT.

Heritage Buildings and Property

The Authority owns buildings and property that meet the definition of heritage assets which are valued on a minimum of every 5 years on either a depreciated replacement cost basis or on an existing use basis.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the CIPFA code of practice and the Authority's general policies on impairment.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and

Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Inventories

The Authority has a small number of inventories. These are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned predominantly using the first in first out (FIFO) costing formula.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Interests in Companies and Other Entities

The code requires local authorities with, in aggregate, material interest in subsidiaries and associated companies and joint ventures to prepare group financial statements.

The Group's financial statement incorporate the financial statements of the London borough of Havering and its subsidiaries prepared as at the year end date. As part of the consolidation process, Havering has aligned the accounting policies of the subsidiaries with those of the Council and made consolidation adjustments where necessary. It has consolidated the financial statements of the subsidiaries with those of the Council on a line by line basis; eliminated in full balances, transactions, income and expenses between the Council and the partnerships.

xvii. Interest in Joint Committee

oneSource is a participative arrangement created by the Authority, the London Borough of Newham and the London Borough of Bexley to share back office operations. In 2020, the London Borough of Bexley withdrew all back office operations from oneSource and the London Borough of Newham withdrew its Professional Accountancy Services. It is governed by a joint committee and is not deemed to meet the definition of joint control; hence the assets, liabilities, income, expenditure and cash flows of the joint committee are not consolidated into the Authority's group accounts. Instead, the Authority accounts for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows, in its single entity financial statements. Cost and savings are shared between the three authorities on the basis of an agreed formula and are allocated on an annual basis.

xviii. Leases

All current leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease, but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Leases (2022/23 Revised Policy)

The Authority as Lessee

From 1 April 2022, where the Council is leasing an asset for more than 12 months and has a value in excess of £10,000, the asset will be accounted as if the asset was owned by the Council. Costs for assets Items under the de-minimis level are recognised as revenue expenditure.

The initial recognition of the asset is at fair value of the property the Council has a right to use. A liability is also recognised which will reduce as lease payments are made.

The Authority as Lessor

Where the Council is the lessor for a lease, the asset is not recognised on the balance sheet, however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received

xx. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Finance costs are excluded in valuations for all assets.

Havering has applied the following de minimis criteria for the capitalisation of expenditure, so that schemes which cost less than this are classified as revenue rather than capital: -

- | | |
|-------------------------------------|--------|
| • works to buildings | £5,000 |
| • infrastructure | £5,000 |
| • office and information technology | £5,000 |
| • other furniture and equipment | £5,000 |

There are no de minimis limits for the following categories: land acquisition, vehicles and plant, energy conservation work, health and safety improvements, aids and adaptations for the disabled.

These de minimis rules may be waived where grant or borrowing consent is made available for items of capital expenditure below £5,000.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUVSH);

- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued as a minimum every five years, with high value assets being re-valued annually, to ensure their carrying amount is not materially different from their fair value at the year end. In addition, an independent review is carried out annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account

Development Costs

General Feasibility studies are automatically treated as revenue, unless in very rare circumstances when they lead to the creation of an asset. This is because they are typically an options review of what schemes may or may not be considered for the capital programme. They do not in and of themselves produce an asset. There would need to be an accompanying business case justification as to why this expenditure could be capitalised and as such, this would normally only occur in relation to large-scale regeneration schemes.

The watershed moment between the feasibility and the development stage, when concrete designs are reviewed is normally the point at which expenditure may be considered for capitalisation. The Council’s policy at this stage is to treat the expenditure as capital and then if the scheme did not go ahead or was stopped at an early stage without producing any assets, would treat the expenditure as an abortive revenue cost. This policy could be broadly described as *capitalising at risk* and all schemes that were cancelled without producing an asset would need to be reviewed for the potential for these abortive costs.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition but is charged in full during the year of disposal.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over a five year period unless a suitably qualified officer determines a more appropriate period; and
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the Code requires that these components are depreciated separately.

Major components which have materially different asset lives will be identified in respect of:

- new capital expenditure as it arises; and
- existing assets as they become subject to revaluation.

Assets will not be valued on a componentised basis in the following circumstances on the basis that the impact upon asset valuation and depreciation is not material to the accounting disclosures:

- capital expenditure of less than £300,000 per scheme; and
- assets valued at less than £3,000,000.

As a consequence of the application of this policy the Authority has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an on-going basis to ensure that the carrying value of assets is not materially affected.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only

up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to noncurrent assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where an Asset is fully depreciated and therefore has a zero net book value, it is deemed as being abandoned or scrapped and treated as such (This will not have an effect on the Comprehensive Income and Expenditure Statement as the gross book value and the accumulated depreciation are equal). Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account.

Annual Minimum Revenue Provision Statement

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum provision since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's (DCLG) Guidance on Minimum Revenue Provision issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Third party loans – Under statutory requirements the payment of the loan will normally be treated as capital expenditure. The subsequent loan repayments, (which are treated as capital receipts under statutory requirements); will be used to reduce the long term liability and consequently the CFR. As a result MRP will not generally be charged on the loan as it is not appropriate to do so.

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxiii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiv. Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Schools' transactions, cash flows and balances are therefore recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

xxv. VAT and Tax Duty

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. If any tax duty is payable on goods purchased from EU, this will be part of the purchase cost and is not recoverable from HMRC.

xxvi. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [*other financial instruments as applicable*] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires disclosure of the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code.

The Code requires that changes in accounting policy are applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 *Leases* .
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements. Officers concur with this view.

3. Critical Judgements in Applying Accounting Policies, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- there is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- the statement of accounting policies incorporates a number of de minimis thresholds below which certain low value transactions are not recognised in strict accordance with the Code of Practice. These thresholds have been selected for the purpose of reducing the volume and complexity of financial transactions without materially altering the accounting disclosures. The areas most affected by this policy relate to the recognition of pensions liabilities, fixed assets, leases and accruals.

The Statement of Accounts contains estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £1,532m may be subject to fluctuations.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for Assets would increase by £3.1m for every year that useful lives had to be reduced.</p> <p>If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £15.32m would arise. This would normally be reversed to the Revaluation Reserve.</p> <p>Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial asset</p>
Provisions	<p>The Authority has made a provision of £3.55m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.</p>	<p>An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.355m to the provision required.</p>

Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in a decrease in the pension liability of £23m. However, the assumptions interact in complex ways. During 2021/22, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £109.4m (compared to a loss of £119.6m in 2020/21) to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2022, the Authority had a gross debtor's balance of £119.9m. A review of significant balances suggested that an impairment of doubtful debts of 34% (£41.0m) was appropriate. However, in the current economic climate it may not be certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £9.0m to be set aside as an allowance.
NNDR Appeals	At 31 March 2022, the Authority made a provision for £7.2m in respect of appeals which are still outstanding, based on the previous success rate on appeals.	In the event that the outcome of appeals increases by 25% than the anticipated percentages this would result in additional cost of £1.8m.

4. Material Items of Income and Expense

A net revaluation gain of £6.926m has been credited to the Consolidated Income and Expenditure Account (CI&ES) in 2021/22. With the exception of movements in Investment properties revaluation gains are normally credited to the Revaluation Reserve except where, as in this case, the revaluation gain reverses a previous loss charged to the CI&ES. By way of comparison, the revaluation gain credited to the CI&ES in 2020/21 was £22.378m. Further information is provided at note 39.

A net disposals gain of £21.9m has been debited to the CI&ES in 2021/22. This is a result of gains from the sale of GF and HRA assets. This is compared to a corresponding gain of £2.2m in 2020/21.

5. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on the date the Chief Operating Officer certified that the accounts give a true and fair view of the financial position of the Authority at the year-end; and its income and expenditure, see the "Statement of Responsibilities for the Statement of Accounts". This is the date up to which events after the balance sheet date have been considered.

6. Events after the Balance Sheet Date

No material post balance sheet events requiring adjustment to the 31st March 2022 balance sheet has been identified.

7. Expenditure and Funding Analysis 2021/22

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

1st April 2020 - 31st March 2021					1st April 2021 - 31st March 2022			
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000	Service	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000
18,728	8,195	(5,288)	21,635	Neighbourhoods	17,736	11,933	573	30,242
4,315	(38,668)	(5,477)	(39,830)	Housing	4,604	(52,814)	24,652	(23,559)
6,256	50	(550)	5,756	Regeneration	1,067	69	0	1,137
66,383	1,051	(2,843)	64,591	Adult Services	68,394	1,745	(2,902)	67,236
48,375	11,595	(5,648)	54,322	Children's Service	50,519	18,914	2,510	71,943
119	122	(4,363)	(4,122)	Public Health	(1,624)	138	2,654	1,168
3,851	7,202	3,597	14,650	oneSource Non-Shared	4,782	10,518	(1,929)	13,371
6,272	1,394	10,816	18,482	oneSource Shared	900	2,209	782	3,892
197,212	(29,793)	(947)	166,472	Net Cost of Services	185,819	(37,384)	40,323	188,758
(202,657)	19,981	(20,198)	(202,875)	Other Income and Expenditure	(188,371)	(9,221)	(30,713)	(228,306)
(5,445)	(9,812)	(21,145)	(36,403)	(Surplus) or Deficit	(2,552)	(46,605)	9,609	(39,548)
22,521				Opening General Fund and HRA Balance	27,966			
5,445				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	2,552			
27,966				Closing General Fund and HRA Balance at 31 March 2022	30,518			

*This represents the movement in Earmarked Reserves. See Note 10.

** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement.

7a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Corporate Budgets	(28,919)	(948)	(228)	(30,096)
Neighbourhoods	8,880	3,362	(310)	11,933
Housing	(52,884)	78	(9)	(52,814)
Regeneration Programme Delivery	(339)	598	(189)	69
Adult Services	499	1,382	(137)	1,745
Children's Services	8,024	11,274	(385)	18,914
Public Health	0	155	(17)	138
oneSource Non-Shared	8,922	1,754	(158)	10,518
oneSource Shared	0	2,426	(217)	2,209
Net Cost of Services	(55,816)	20,082	(1,649)	(37,384)
Other income and expenditure from the Expenditure and Funding Analysis			(9,221)	(9,221)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(55,816)	20,082	(10,870)	(46,605)

Adjustments between Funding and Accounting Basis 2020/21

(This has been restated to be aligned to the authority's internal financial reporting structure)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Corporate Budgets	(7,146)	4,142	(17,730)	(20,734)
Neighbourhoods	9,686	(1,173)	(317)	8,195
Housing	(38,122)	(353)	(194)	(38,668)
Regeneration Programme Delivery	92	(42)	0	50
Adult Services	1,909	(720)	(138)	1,051
Children's Services	15,593	(2,814)	(1,184)	11,595
Public Health	188	(66)	0	122
oneSource Non-Shared	8,290	(913)	(175)	7,202
oneSource Shared	2,787	(1,184)	(210)	1,394
Net Cost of Services	(6,724)	(3,123)	(19,948)	(29,795)
Other income and expenditure from the Expenditure and Funding Analysis			19,981	19,981
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(6,724)	(3,123)	33	(9,814)

Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from the income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7b. Segmental Income

Income received on a segmental basis is analysed below:

2020/21 £000	Income from Services	2021/22 £000
2,410	Corporate Budgets	9,157
22,666	Neighbourhoods	31,718
65,693	Housing	69,776
1,692	Regeneration Programme Delivery	9,476
32,956	Adult Services	41,205
151,409	Children's Services	162,249
19,710	Public Health	13,757
70,193	oneSource Non -Shared	76,273
6,309	oneSource Shared	16,440
373,037	Total income analysed on a segmental basis Net Cost of Services	430,053

8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2020/21 £000	Expenditure/Income	2021/22 £000
	Expenditure	
207,450	Employee benefits expenses	230,890
336,569	Other services expenses	334,075
(1,708)	Depreciation, amortisation, impairment	21,001
17,851	Interest payments	19,673
17,085	Precepts and levies	12,256
70	Payments to Housing Capital Receipts Pool	(349)
(993)	(Gain)/Loss on the disposal of assets	(20,366)
576,324	Total expenditure	597,179
	Income	
(106,972)	Fees, charges and other service income	(124,185)
(3,647)	Interest and investment income	(2,355)
(164,324)	Income from council tax and non-domestic rates	(167,615)
(337,785)	Government grants and contributions	(342,574)
(612,728)	Total income	(636,730)
(36,404)	Surplus or Deficit on the Provision of Services	(39,551)

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves against which the adjustments are made.

General Fund Balance: The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year. For housing authorities the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance: The Housing Revenue Account (HRA) balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Authority's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve: The Authority maintains a Major Repairs Reserve (MRR), through which depreciation on HRA assets is reversed out and applied to the financing of capital expenditure. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the extent to which the MRR has yet to be applied at the year end.

Capital Receipts Reserve: The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied: The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2021/22	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	(19,484)	(598)				20,082
Financial instruments (transferred to the Financial Instruments Adjustments Account)						0
Transfer to negative DSG reserve	(1,954)					1,954
Council tax and NNDR (transfers to or from Collection Fund)	11,182					(11,182)
Holiday pay (transferred to the Accumulated Absences Reserve)	1,460	189				(1,649)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(4,224)	2,810			(37,135)	38,549
Total Adjustments to Revenue Resources	(13,020)	2,401	0	0	(37,135)	47,754
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	19,268	14,751	(34,019)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(588)	294	294			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,107)		1,107			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,066		(10,066)		0
Use of Capital Receipts To Repay Debt	(3,683)		3,683			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	8,389					(8,389)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	8,732					(8,732)
Total Adjustments between Revenue and Capital Resources	31,011	25,111	(28,935)	(10,066)	0	(17,121)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			10,404			(10,404)
Use of the Major Repairs Reserve to finance capital expenditure				14,785		(14,785)
Application of capital grants to finance capital expenditure	(24,200)	25,302			36,221	(37,323)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	(24,200)	25,302	10,404	14,785	36,221	(62,512)
Total Adjustments	(6,209)	52,814	(18,531)	4,719	(914)	(31,879)

2020/21	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	(2,770)	(353)				3,123
Financial instruments (transferred to the Financial Instruments Adjustments Account)	97					(97)
Transfer to negative DSG reserve	(2,366)					2,366
Council tax and NNDR (transfers to or from Collection Fund)	(17,615)					17,615
Holiday pay (transferred to the Accumulated Absences Reserve)	(2,299)	(194)				2,493
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(7,223)	12,492			(20,433)	15,164
Total Adjustments to Revenue Resources	(32,176)	11,945	0	0	(20,433)	40,664
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	765	12,752	(13,517)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(502)	251	251			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,243)		1,243			0
Posting of HRA resources from revenue to the Major Repairs Reserve		8,888		(8,888)		0
Use of Capital Receipts To Repay Debt	(3,140)		3,140			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,828					(6,828)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,858					(3,858)
Total Adjustments between Revenue and Capital Resources	6,566	21,891	(8,883)	(8,888)	0	(10,686)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			20,638			(20,638)
Use of the Major Repairs Reserve to finance capital expenditure				17,242		(17,242)
Application of capital grants to finance capital expenditure	(3,244)	4,930			19,366	(21,052)
Cash payments in relation to deferred capital receipts		(98)				98
Total Adjustments to Capital Resources	(3,244)	4,832	20,638	17,242	19,366	(58,834)
Total Adjustments	(28,854)	38,668	11,755	8,354	(1,067)	(28,856)

10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22. A HRA earmarked reserve is included for completeness.

	Balance as at 31 3 2020	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2021	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2022
	£000	£000	£000	£000	£000	£000	£000
General Fund / Housing Revenue Account Earmarked Reserves							
Corporate Transformation reserve	2,116	(979)	0	1,137	(782)	0	355
Business Risk reserve	10,774	402	0	11,176	234	0	11,410
Covid - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management Grant (COMF)	0	3,031	0	3,031	(3,031)	0	0
Business Rates reserve	4283	16,791	0	21,074	(10,716)	0	10,358
Regeneration	586	1,922	0	2,508	0	0	2,508
ICT Refresh	1000	0	0	1,000	0	0	1,000
oneSource reserve	455	0	0	455	577	0	1,032
Insurance reserve	7,409	(256)	0	7,153	(67)	0	7,086
Reserves for future capital schemes	7,304	(1,988)	0	5,316	(409)	0	4,907
Legal reserve	178	0	0	178	0	0	178
Crematorium and Cemetery reserves	778	(120)	0	658	0	0	658
Social Care reserve	85	(34)	0	51	0	0	51
Troubled Families reserve	525	(155)	0	370	104	0	474
Public Health reserve	1,485	1,110	0	2,595	48	0	2,643
Adults Social Care Reserve	0	0	0	0	4,878	0	4,878
Whole life costing Transport Fleet reserve	515	(33)	0	482	(75)	0	407
Emergency assistance scheme	2,092	(509)	0	1,583	(664)	0	919
SLM Funding 2017/18 - 2022/23	1,386	(657)	0	729	(111)	0	618
Other reserves	10,177	(903)	0	9,274	877	0	10,151
HRA Major works	3,021	0	0	3,021	0	0	3,021
Total General Fund / Housing Revenue Account Earmarked Reserves	54,169	17,622	0	71,791	(9,137)	0	62,654
Schools Balances							
General Balances	1,107	(690)	0	417	445	0	862
Schools Balances	3,217	2,477	0	5,694	(213)	0	5,481
Centrally held schools balances (Note 34)	(1,035)	1,735	0	700	(700)	0	0
Total Schools Balances	3,289	3,522	0	6,811	(468)	0	6,343
Total Earmarked Reserves	57,458	21,144	0	78,602	(9,605)	0	68,997

General Fund Earmarked Reserves

Corporate Transformation and oneSource Reserves – These reserves will continue to be used to fund strategic projects and the transformation agenda.

Business Risk Reserve – After a strategic review of the earmarked reserves, the Senior Leadership Team de-committed various other earmarked reserves and reprioritised the funds to the Business Risk Reserve.

COVID - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management (COMF) Grants Reserve – This funding was provided specifically to manage the containment of the pandemic. The reserve balance was used alongside the 2021/22 COMF allocation to fund the Outbreak Control Service and associated initiatives to contain the outbreak in line with grant conditions.

Business Rates Reserve – This reserve has been created to manage the risks and uncertainties around London wide business rate pooling. The risk of non-collection and successful business rate appeals can have fundamental impact on the Council's budget.

Regeneration Reserve – This is earmarked for the Council's masterplan regeneration projects across the borough, including the Romford masterplan.

ICT Refresh – This has been earmarked for the Council's Transitional Shift in operating models.

oneSource Reserve – This is earmarked to contribute to future projects and service improvement across all oneSource services.

Insurance Reserve – In accordance with the Accounting Code of Practice, the Authority's insurance fund has been split between a provision for liabilities which are likely to be incurred and a reserve for possible future liabilities that are "incurred but not reported" at this stage.

Reserves for future Capital Schemes – These reserves are set aside for capital schemes where expenditure has yet to be incurred. The reserves are a mixture of revenue contributions, internal leasing arrangements and various invest to save schemes.

Legal Reserve – This reserve provides funding for legal cases.

Crematorium and Cemetery Funds – These funds have existed for many years to maintain cemeteries and to help finance improvements at the crematorium. They consist of a fund created by fees, and a Cemetery Memorial Fund.

Social Care Funding – This is support for Social Care funding which local authorities receive from the NHS; it was agreed to carry forward unspent monies to be spent on the programmes jointly agreed by both parties as part of the S256 agreement.

Troubled Families – This is to contribute towards the funding of the Troubled Families programme.

Public Health Reserve – This reserve arose out of a transfer of Primary Care Trust funding for Drugs and Alcohol Action Team services and underspends against the Public Health grant. The intention is to use the reserve for Public Health initiatives.

Social Care Reserve – This is additional contribution to the pooled Better Care Fund by the Clinical Commissioning Group, which will be used on joint social care and health projects between the Local Authority and the Clinical Commissioning Group.

Whole Life Costing Vehicle Fleet Reserve – This reserve funds whole life costing in the vehicle and plant system.

Emergency Assistance Scheme - The EAS is for assistance for extreme hardship in emergency situations. It is for vulnerable residents and customers experiencing hardship or in need of support.

SLM (Sport and Leisure Management) Funding 2017/18-2022/23 - This reserve will be required until 2022/23 and aims to smooth out the overall impact of the leisure management contract on the revenue account as the five leisure centres reach business maturity at different stages.

Other Reserves – This encompasses a range of several smaller reserves including Covid 19 funding, Library Book Fund, Health and Safety reserve, and provision to fund potential claims arising from building works.

Schools Balances

General Balances – This is income that has accumulated over a number of years from schools buying back services from the Authority. The funds are being reinvested back into the development of support services provided to schools.

Schools Balances – These are balances that have been allocated to schools and are carried forward to the following financial year.

Centrally Held Schools Balances – The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). Details of the deployment of DSG receivable for 2021/22 are shown at Note 34. An overdrawn balance on the DSG account of £4.32m has been transferred to a unusable negative reserve in accordance with new guidance to separate the balance from the Council General Fund.

11. Other Operating Expenditure

2020/21 £000		2021/22 £000
17,085	Levies	12,256
1,243	Payments to the Government Housing Capital Receipts Pool	1,106
(2,166)	(Gain) / Loss on the disposal of non-current assets	(21,822)
16,162	Total	(8,460)

12. Financing And Investment Income And Expenditure

2020/21 £000		2021/22 £000
8,201	Interest payable and similar charges	8,674
9,650	Pensions net interest on the net defined benefit liability	10,999
(3,647)	Interest receivable and similar income	(2,355)
(4,107)	Income and expenditure in relation to investment properties (note 16)	(3,957)
2,803	Changes in the fair value of investment properties	3,239
12,900	Total	16,600

13. Taxation And Non-Specific Grant Income

2020/21 £000		2021/22 £000
(127,680)	Council tax income	(136,404)
(36,644)	National non-domestic rates income ¹	(31,211)
(45,496)	Non ring-fenced government grants	(30,595)
(22,119)	Capital grants and contributions	(38,236)
(231,939)	Total	(236,446)

¹ includes s31 Government grant included within NNDR income to fund NNDR reliefs

14. Property, Plant and Equipment

Movements in Balances 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets*	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value / NBV	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2021	644,663	580,531	23,106	117,558	3,567	1,795	72,026	1,443,246
Additions	46,071	7,977	5,008	14,581	49	0	59,823	133,509
Revaluation increases/(decreases) to :								
Revaluation Reserve	(23,198)	(650)	0	0	0	633	0	(23,215)
Revaluation gains to the CI&ES	14,790	(5,574)	0	0	0	(490)	0	8,726
Derecognition - Disposals	(7,311)	(42)	(7,905)	0	0	0	0	(15,258)
Derecognition - other	0	0	0	0	0	0	0	0
Reclassifications & Transfers	(3,898)	26,790	0	0	0	0	(22,892)	0
At 31 March 2022	671,117	609,032	20,209	132,139	3,616	1,938	108,957	1,547,008
Accumulated Depreciation and Impairment								
At 31 March 2021	0	764	9,997		325	0	0	11,086
Depreciation Charge	9,635	5,846	4,614	7,345	77	14	0	27,531
Depreciation written out upon Revaluation:								
Revaluation Reserve	(9,635)	(4,455)	0		0	(14)	0	(14,104)
CI &ES	0	(1,439)	0		0	0	0	(1,439)
Derecognition - Disposals	0	0	(7,905)		0	0	0	(7,905)
Reclassifications	0	0	0		0	0	0	0
At 31 March 2022	0	716	6,706	7,345	402	0	0	15,169
Net book value at 31 March 2022	671,117	608,316	13,503	124,794	3,214	1,938	108,957	1,531,839
Net book value at 31 March 2021	644,663	579,767	13,109	117,558	3,242	1,795	72,026	1,432,160

* Infrastructure Assets are shown as NBV rather than GBV

14. Property, Plant and Equipment

Movements in Balances 2020/21

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2020	564,782	493,422	19,644	109,690	5,396	774	61,968	1,255,676
Additions	42,513	5,356	3,462	13,687	0	0	27,927	92,945
Revaluation increases/(decreases) to :								
Revaluation Reserve	6,616	80,479	0	0	0	(97)	0	86,998
Revaluation gains to the CI&ES	23,010	(1,101)	0	0	0	0	0	21,909
Derecognition - Disposals	(4,797)	(3,612)	0	(16)	0	0	0	(8,425)
Derecognition - other	0	0	0	0	0	0	0	0
Reclassifications & Transfers	12,539	5,987	0	0	(1,829)	1,118	(17,869)	(54)
At 31 March 2021	644,663	580,531	23,106	123,361	3,567	1,795	72,026	1,449,049
Accumulated Depreciation and Impairment								
At 31 March 2020	0	893	9,242		279	0	0	10,414
Depreciation Charge	8,460	5,090	755	5,803	79	0	0	20,187
Depreciation written out upon Revaluation:								
Revaluation Reserve	(5,360)	(5,064)	0		0	0	0	(10,424)
CI&ES	(3,100)	(173)	0		0	0	0	(3,273)
Derecognition - Disposals	0	0	0		0	0	0	0
Reclassifications	0	18	0		(33)	0	0	(15)
At 31 March 2021	0	764	9,997	5,803	325	0	0	16,889
Net book value at 31 March 2021	644,663	579,767	13,109	117,558	3,242	1,795	72,026	1,432,160
Net book value at 31 March 2020	564,782	492,529	10,402	109,690	5,117	774	61,968	1,245,262

Capital Commitments

Estimated future capital commitments are shown below. Payment for these schemes will be incurred in 2022/23.

31 March 2021 £000		31 March 2022 £000
	General Fund	
7,427	Arts, culture, sport and leisure	7,995
1,081	Roads, footways and bridges	13,380
10,046	Education capital schemes	4,395
170,687	Town centre and environmental Improvements	175,343
625	Office accommodation, equipment, ICT and vehicles	15,684
5,413	Other smaller General Fund schemes	6,687
195,279	Total General Fund commitments	223,484
136,865	Housing Revenue Account	220,692
332,144	Total commitments	444,176

Revaluations

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are reviewed in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies. Valuations are carried out by our external valuers, Wilks Head and Eve, and by the Authority's Property Strategy Manager on the basis of a five year rolling programme; the most recent of which was carried out on 31 March 2021.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	0	0	13,503	124,794	3,214	0	108,957	250,468
Valued at fair value as at:								
31 March 2022	671,117	560,680	0	0	0	1,938	0	1,233,735
31 March 2021	0	18,147	0	0	0	0	0	18,147
31 March 2020	0	9,783	0	0	0	0	0	9,783
31 March 2019	0	10,318	0	0	0	0	0	10,318
31 March 2018	0	9,388	0	0	0	0	0	9,388
Total cost or valuation	671,117	608,316	13,503	124,794	3,214	1,938	108,957	1,531,839

15. Heritage Assets

Carrying value of heritage assets held by the Authority

Cost or Valuation	Civic Regalia £'000	Heritage Buildings £'000	Total Assets £'000
31 March 2018	110	23	133
Depreciation	0	0	0
Revaluation	0	0	0
31 March 2019	110	23	133
Depreciation	0	(1)	(1)
Revaluation	0	0	0
31 March 2020	110	22	132
Depreciation	0	(1)	(1)
Revaluation	0	2,150	2,150
Transfers	0	38	38
31 March 2021	110	2,209	2,319
Additions	0	95	95
Depreciation	0	(27)	(27)
Revaluation	0	0	0
31 March 2022	110	2,277	2,387

16. Investment Properties and Joint Ventures Investment

a) The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2020/21 £000		2021/22 £000
4,470	Rental income from investment property	4,384
(363)	Direct operating expenses arising from investment property	(427)
4,107	Net gain	3,957

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct, develop, repair, maintain or enhance investment property.

b) The following table summarises the movement in the fair value of investment properties over the year.

2020/21 £000		2021/22 £000
67,242	Opening Balance	64,552
(2,803)	Revaluation gains/(loss) from fair value adjustment	(3,239)
113	Additions	0
0	Assets reclassified	0
0	Disposal of investment properties	0
64,552	Balance at the end of the year	61,313

The valuation of the Authority's investment property portfolio in 2020/21 was undertaken by Wilks Head & Eve who provide specialist valuations advice and who have extensive experience in the property sector.

c) Investments within the group balances

Mercury Land Holding hold £47.546m in investment properties that on an open market value for existing use basis.

The Council has three property joint ventures of which the Council holds a stake of property under development. At 31 March 2022, the Council share of the developments under construction were: 100% of Bridge Close (£19.6m), 50% of Rainham & Beam Park (£2m) and 50% of Havering & Wates (12 Estates) (£6.3m). These are shown under property, plant & equipment until complete.

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2022 £000
Office units	0	3,134	0	3,134
Commercial units	0	58,179	0	58,179
Total	0	61,313	0	61,313

2021 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2021 £000
Office units	0	3,484	0	3,484
Commercial units	0	61,068	0	61,068
Total	0	64,552	0	64,552

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the asset has been used.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with property services and the capital finance manager reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

d) Investment in Subsidiaries and Joint Ventures

2020/21 £000	Investments in subsidiary companies and Joint Ventures:	2021/22 £000
21,992	Opening Balance	13,980
(8,492)	Reclassification *	0
480	Additions*	430
0	Repayment	(1,000)
13,980	Closing Balance	13,410

Investments of £5.341m in Bridge Close LLP and £3.150m in the Havering and Wates joint venture at 31 March 2020 have been reclassified as long-term debtors in subsidiaries and joint ventures during 2020/21 to acknowledge repayment at end of joint venture.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Mercury Land Holding	England	Ordinary	100%	Development of the building project
Bridge Close	England	Ordinary	100%	Development of the building project

Joint Ventures

The following are joint ventures of the Council:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Havering & Wates	England	Ordinary	50%	Development of the building project
Rainham & Beam Park	England	Ordinary	50%	Development of the building project

17. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets represent the value of purchased licences only.

The maximum life attributed to software assets is currently five years on the grounds that it is a reasonable estimate of the life of computer systems and is the life applied to computer hardware for depreciation purposes.

The movement on Intangible Asset balances during the year is as follows:

2020/21 £000	Intangible fixed assets software and system development	2021/22 £000
2,989	Gross carrying amounts	3,008
(1,904)	Less accumulated amortisation	(2,387)
1,085	Net carrying amount at start of year	621
19	Additions – purchases	15
0	Disposals	0
(483)	Less amortisation for the period	(367)
621	Net carrying amount at end of year	269
	Comprising:	
3,008	Gross carrying amounts	1,848
(2,387)	Less accumulated amortisation	(1,579)

18. Financial Instruments

(a) Financial Instruments - Classification

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

The Authority's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities or public sector bodies
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications. Financial assets are classified into one of three categories. Financial assets held at amortised cost. Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). All the Authority's financial assets have been assessed to be held at amortised cost; these represent loans and loan-type arrangements where repayments or interest and principal takes place on set dates and at specified amounts. Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses (ECL) model. Changes in loss allowances (including balances outstanding at the dates of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure lines in the CIES.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits and reverse repurchase agreements with banks and building societies
- loans to other local authorities
- loans to small companies
- trade receivables for goods and services delivered

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2021		Financial Liabilities	31 March 2022	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans at amortised cost:		
		PWLB		
257,124	1,110	- Principal borrowed	307,124	
	573	- Accrued interest		802
		Market Loan		
7,000		- Principal borrowed	7,000	
	93	- Accrued interest		92
		Other Loans		
	10,466	- Principal borrowed		867
	0	- Accrued interest		0
264,124	12,242	Total borrowing *	314,124	1,761
		Liabilities at amortised cost:		
		Trade payables		
0	51,418	- Trade Creditors		84,925
0	51,418	Included in creditors	0	84,925
264,124	63,660	Total financial liabilities	314,124	86,686

* The total short-term borrowing includes £0.894m (2020/21: £0.666m) representing accrued interest on long-term borrowing (PWLB £802k & LOBO Market Loan £92k)

The Authorities financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 March 2021		Financial Assets	31 March 2022	
Long-Term	Short-Term		Long-Term	Short-Term
£000	£000		£000	£000
	110,000	Loans and receivables:		
	276	- Principal at amortised cost		85,000
		- Accrued interest		110
		- Other Principal at amortised cost		
0	110,276	Total Investments *	0	85,110
		Loans and receivables:		
	7,861	- Cash (including bank accounts)		8,283
		- Cash equivalents at amortised cost		52,000
0	7,861	Total cash and cash equivalents	0	60,283
		Loans and receivables		
33,922	50,628	- Trade receivables	53,313	63,878
33,922	50,628	Included in debtors	53,313	63,878
33,922	168,765	Total financial assets	53,313	209,271

The financial assets disclosed in the Group Balance Sheet are analysed across the following categories:

31 March 2021		Financial Assets	31 March 2022	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
	110,000	Loans and receivables:		
	276	- Principal at amortised cost		85,000
		- Accrued interest		110
		- Other Principal at amortised cost		
0	110,276	Total investments	0	85,110
		Loans and receivables:		
	13,177	- Cash (including bank accounts)		9,198
		- Cash equivalents at amortised cost		52,000
0	13,177	Total cash and cash equivalents	0	61,198
		Loans and receivables		
215	48,259	- Trade receivables	60	67,375
215	48,259	Included in debtors	60	67,375
215	171,712	Total financial assets	60	213,683

(c) Financial Instruments - Gains and Losses

Gains and losses in 2021/22 were as follows:

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities		Financial Assets		2021/22 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	8,674				8,674
Interest payable and similar charges	8,674	0	0	0	8,674
Interest income			(2,355)		(2,355)
Increases in fair value					0
Interest and investment income	0	0	(2,355)	0	(2,355)
Changes in value of investment properties				3,239	3,239
Income and expenditure relating to investment properties				(3,957)	(3,957)
Pensions Net Interest		10,999			10,999
Impact in Other Comprehensive Income *	0	10,999	0	(718)	10,281
Net gain (loss) for the year	8,674	10,999	(2,355)	(718)	16,600

* Not financial instruments but included to reconcile to note 12

Gains and losses in 2020/21 were as follows:

	Financial Liabilities		Financial Assets		2020/21 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	8,201				8,201
Interest payable and similar charges	8,201	0	0	0	8,201
Interest income			(3,647)		(3,647)
Increases in fair value					0
Interest and investment income	0	0	(3,647)	0	(3,647)
Changes in value of investment properties				2,803	2,803
Income and expenditure relating to investment properties				(4,107)	(4,107)
Pensions Net Interest		9,650			9,650
Impact in Other Comprehensive Income *	0	9,650	0	(1,304)	8,346
Net gain (loss) for the year	8,201	9,650	(3,647)	(1,304)	12,900

(d) Financial Instruments - Fair Values

Financial assets classified as available for use are carried in the Balance Sheet at fair value. For most assets, including bonds the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows as at 31 March 2022. LINK, the Council's adviser have provided the fair value calculations.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- The value of "Lender's Option Borrower's Option" (LOBO) loans have been calculated using the PWLB new market loan discount rate. This involves using level two inputs.
- The fair values of Public Works Loan Board (PWLB) loans are calculated using the premature repayment rate published by the PWLB at 31st March 2022.
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness;

31 March 2021		Fair Value Level	31 March 2022	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:		
257,124	347,906	- Long-term loans from PWLB	307,124	369,018
7,000	13,215	- Long-term LOBO loans	7,000	11,786
11,576	11,523	- Other Short-term loans	867	616
666	666	- Accrued interest	894	894
276,366	373,310	Total	315,885	382,314
51,418	51,418	Liabilities for which fair value is not disclosed	84,925	84,925
327,784	424,728	Total Financial Liabilities	400,810	467,239

31 March 2021		Fair Value Level	31 March 2022	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
51,418	51,418		84,925	84,925
11,576	11,523		867	616
264,124	361,120		314,124	380,805
327,118	424,061	Total Financial Liabilities	399,916	466,346

The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Authority's portfolio of loans include a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2021		Fair Value Level	31 March 2022	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
51,874	51,781		53,313	53,220
75,000	75,373	2	15,000	14,971
35,000	35,014	2	70,000	69,999
0	0	2	0	0
276	276		110	110
7,861	7,861		8,283	8,283
			52,000	52,000
170,011	170,305	Total	198,706	198,583
50,628	50,628	Assets for which fair value is not disclosed *		63,878
220,639	220,933	Total Financial Assets	262,584	262,461
51,874	51,781		53,313	53,220
0	0		0	0
50,628	50,904		63,878	63,988
110,276	110,387		85,110	84,970
7,861	7,861		60,283	60,283
220,639	220,933	Total Financial Assets	262,584	262,461

The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

(e) Financial Instruments - Risks

The Authority has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities.

As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Authority also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Authority's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- *Credit Risk*: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Authority.
- *Liquidity Risk*: The possibility that the Authority might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.
- *Re-financing Risk*: The possibility that the Authority might be requiring, to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Credit Risk: Investments

The Authority manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Authority has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Authority has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of 10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Authority also sets limits on investments in certain sectors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £70.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

The Annual Investment Strategy (details of which are available on the Council's web site) requires the Authority to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit rating provided by Fitch, Moody's, and Standard and Poor ratings to assess an institution's long and short-term financial strength. Other information provided by Brokers, Advisers, and Financial and Economic reports is also collated and assessed to produce rating parameters to monitor each individual institution. Credit watches and outlooks from credit rating agencies, credit default to give early warning of likely changes in credit ratings and sovereign ratings. Only highly quality rated counterparties are included on the lending list.

Local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparties for a financial asset is central government or a local authority for which relevant statutory provision prevent default.

The table below summarises the credit risk exposures of the Authority's investment portfolio by credit rating:

31 March 2021		Credit Rating	31 March 2022	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
0	0	AAA	0	0
0	0	AA+	0	0
0	0	AA	0	0
0	0	AA-	0	15,000
0	15,000	A+	0	25,000
0	20,000	A	0	45,000
0	0	A-	0	0
0	75,000	Unrated local authorities	0	0
0	0	Unrated Corporate Bonds	0	0
0	110,000	Total Investments	0	85,000

Credit Risk: Receivables

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2021/22 is £50,000.

The Authority's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Authority's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

Credit risk exposure 31 March 2021 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2022 £000
0	Capital	384	0	0	0
6,806	Housing	10,543	73	69	7,299
478	Social Services	9,990	8	5	469
6,721	Parking	10,362	87	93	9,619
0	Other local authorities	161	0	0	0
0	Health authorities	15,481	0	0	0
3,276	Other sundry debtors	33,977	10	11	3,849
17,281	Total	80,898	27	26	21,236

Liquidity Risk

The Authority has ready access to borrowings from the Public Works Loan Board, other local authorities, banks and corporates. There is no perceived significant risk that the Authority will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates.

Refinancing Risk

The Authority approved Treasury and investment strategies are set to avoid the risk of refinancing on unfavourable terms. The treasury team address the operation risks within approved parameters.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2021 £000	Time to maturity (years)	31 March 2022 £000
11,576	Not over 1	866
0	Over 1 but not over 2	0
4,029	Over 2 but not over 5	20,554
85,561	Over 5 but not over 10	85,561
49,574	Over 10 but not over 20	63,050
30,000	Over 20 but not over 30	0
32,960	Over 30 but not over 40	32,960
55,000	Over 40	105,000
7,000	Uncertain date	7,000
275,700	Total	314,991

The Authority has £7m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Authority will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Authority is likely repay these loans. The next option date after 31st March 2022 was 18th May 2022 and as expected not taken. The last maturity date is 18th November 2065.

Market Risks: Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2021/22
	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on comprehensive income and expenditure	0
Decrease in fair value of loans and receivables *	(335)
Decrease in fair value of fixed rate borrowing liabilities *	(103,892)

* Borrowings are not carried at fair value, so nominal gain and losses on fixed rate borrowings would not impact on comprehensive income and expenditure. The Authority has no investments in call accounts with falling interest rates at 31 March 2022.

The approximate impact of a 1% fall in interest rates would be as above but with the movements reversed.

19. Debtors

Short-Term Debtors

31 March 2021 £000				31 March 2022 £000		
Gross	Impairment Allowance	Net		Gross	Impairment Allowance	Net
			Collection Fund Debtors			
16,687	(10,684)*	6,003	Council Tax payers	17,836	(11,456) *	6,380
882	(482)*	400	Business Rate payers	991	(724) *	267
			Other Debtors			
7,766	0 *	7,766	Government departments	6,634	0 *	6,634
1,689	0	1,689	Capital	384	0	384
8,765	(6,806)	1,959	Housing	10,543	(7,299)	3,244
9,925	(7,676)*	2,249	Housing Benefit	9,301	(7,542) *	1,759
9,068	(478)	8,590	Social Services	9,990	(469)	9,521
7,214	(6,721)	493	Parking Enforcement	10,362	(9,619)	743
84	0	84	Other local authorities	161	0	161
5,182	0	5,182	Health authorities	15,481	0	15,481
2,632	0	2,632	Mercury Land Holdings	3,998	0	3,998
33,275	(3,276)	29,999	Other sundry debtors	34,195	(3,849)	30,346
103,169	(36,123)	67,046	Total Short-Term debtors	119,876	(40,958)	78,918

* These debtors are not included in Note 18(b), Financial Instruments (balances), as they do not meet the definition of a financial asset.

Government departments, capital, and other local authorities do not have an impairment allowance applied.

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2021 £000	Age of Debtors	31 March 2022 £000
5,142	Less than 1 year	5,232
3,282	Between 1 and 2 years	3,034
1,992	Between 2 and 3 years	2,577
7,153	More than 3 years	7,984
17,569	Balance at end of the year	18,827

Long-Term Debtors

31 March 2021 £000		31 March 2022 £000
33,828	Mercury Land Holdings	28,880
5,472	Wates JV*	6,457
12,480	Bridge Close LLP*	17,916
94	Other	60
51,874	Total Long-Term Debtors	53,313

* Loans to Wates JV and Bridge Close LLP reclassified as long term debtors during 2020/21.

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2021 £000		31 March 2022 £000
744	Bank current accounts	1,068
0	Short-term deposit with DMA	52,000
7,117	Schools – under the LMS cheque book scheme	7,215
7,861	Total cash and cash equivalents	60,283

21. Assets Held for Sale

The following table summarises the movement in the fair value of assets held for sale over the year.

31 March 2021 £000		31 March 2022 £000
0	Opening Balance	0
0	Revaluation gains from fair value adjustments	0
0	Assets reclassified	0
0	Disposals	0
0	Balance at end of the year	0

22. Short-Term Creditors

31 March 2021 £000		31 March 2022 £000
	Collection Fund creditors	
7,704	Council Tax payers *	8,182
1,033	Business Rates payers *	1,658
3,160	Greater London Authority *	13,696
7,635	Central Government (NNDR)*	11,703
	Other Creditors	
20,394	Central Government *	16,265
4,137	HMRC *	2,991
15,847	Pension Fund *	13,779
2,451	Capital creditors	6,360
41,648	Other sundry creditors	58,015
7,319	Income in advance	20,550
111,328	Total	153,199

* These creditors are not included in Note 18(b), Financial Instruments, as they do not meet the definition of a financial liability.

23. Provisions

2021/22	Self Insurance £000	Collection Fund £000	Other Provisions £000	Total £000
Balance at 31 March 2021	3,548	7,407	0	10,955
Additional provisions made in year	6			6
Amounts used in year		(198)		(198)
Transfer to revenue				0
Balance at 31 March 2022	3,554	7,209	0	10,763

Self-Insurance Provision

The Authority's insurance cover is arranged with Zurich Municipal with substantial excesses for which a self-insurance provision is maintained. The self-insurance provision has been set up to meet the excesses on the Authority's public and employer's liability, property and motor vehicle insurance policies. It is not possible to determine the precise timing of the settlement of claims relating to this provision. The excess levels at 1 July 2019 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£50,000).

Collection Fund Provision

As part of the changes in business rate retention, the Authority is required to create a provision in respect of outstanding appeals. These appeals are currently with the Valuation Office Agency for review and, as a result, it is not possible to determine the precise timing of the settlement of claims relating to this provision. Based on estimates on the likely settlement year, we could assume that 20% (£4.8 million) will be settled within the next financial year, but this is a very high-level estimate. Only the Authority's 30% share of the appeals is recorded within the provision note.

24. Usable Reserves

31 March 2021 £000		31 March 2022 £000
10,936	General Fund balance	10,942
78,602	Earmarked Reserves	68,997
17,028	Housing Revenue Account balance	19,574
51,590	Capital Grants Unapplied	52,503
37,464	Capital Receipts Reserve	55,997
13,378	Major Repairs Reserve	8,660
208,998	Total usable reserves	216,673

25. Unusable Reserves

31 March 2021 £000		31 March 2022 £000
489,322	Revaluation Reserve	476,149
674,082	Capital Adjustment Account	719,227
(378)	Financial Instruments Adjustment Account	(378)
(545,811)	Pension Reserve	(456,493)
69	Deferred Capital Receipts Reserve	69
(19,100)	Collection Fund Adjustment Account	(7,918)
(2,366)	Dedicated School Grant Reserve (see note 34)	(4,320)
(6,282)	Accumulated Absences Account	(4,633)
589,536	Total unusable reserves	721,703

a) Revaluation Reserve

The Revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost:
- used in the provision of services and the gains are consumed through depreciation: or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capitals Adjustment Account.

31 March 2021 £000		31 March 2022 £000
393,756	Balance at 1 April	489,323
99,572	Net gain/(deficit) on revaluation of fixed assets	(9,111)
(4,005)	Excess of Fair Value Depreciation over Historical costs depreciation	(4,063)
0	Removal of Revaluation balance upon sale	0
0	Other Adjustments	0
489,323	Balance at 31 March	476,149

b) Financial Instruments Available for Sale Reserve

This reserve is used for the accounting entries for a covered bond and Floating Rate Notes that were purchased in 2015/16 and 2016/17 respectively which were valued on the balance sheet at fair value. No differences in value were credited to the Comprehensive Income and Expenditure Statement in 2021/22 or 2020/21. Any sum charged to the Comprehensive Income and Expenditure Statement is subsequently transferred out through the movement in reserves statement and recorded in the Financial Instruments Available for Sale Reserve in accordance with statutory requirements.

c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21 £000		2021/22 £000
615,623	Balance at 1 April	674,082
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(20,187)	Net charges for depreciation of non-current assets	(27,559)
25,181	Net charges for impairment of non-current assets	10,165
0	Net charges for de-recognition of non-current assets	0
0	Mitigation of PPP Capitalised	0
(483)	Amortisation of intangible assets	(368)
(11,002)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,904)
	Adjusting amounts written out of the Revaluation Reserve	
4,005	Excess of Fair Value Depreciation over Historical costs depreciation	4,063
0	Removal of Revaluation balance upon sale	0
0	Other	0
(2,486)	Net written out amount of the cost of non-current assets consumed in the year	(25,603)
	Capital financing applied in the year:	
20,638	Use of the Capital Receipts Reserve to finance new capital expenditure	10,403
17,242	Use of the Major Repairs Reserve to finance new capital expenditure	14,785
21,052	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	37,323
6,828	Statutory provision for the repayment of debt	8,389
3,858	Capital expenditure charged against the General Fund and HRA balances	8,731
69,618	Capital financing applied in year	79,631
(5,870)	Revenue expenditure funded from capital under statute	(5,644)
(2,803)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,239)
674,082	Balance at 31 March	719,227

d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2020/21 £000		2021/22 £000
(475)	Balance at 1 April	(378)
97	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
(378)	Balance at 31 March	(378)

e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £000		2021/22 £000
(423,095)	Balance at 1 April	(545,811)
(119,593)	Actuarial gains or (losses) on pensions assets and liabilities	109,400
(37,885)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(55,726)
34,762	Employer's pensions contributions and direct payments to pensioners payable in the year	35,644
(545,811)	Balance at 31 March	(456,493)

f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2020/21 £000		2021/22 £000
166	Balance at 1 April	69
(97)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
69	Balance at 31 March	69

g) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Additional NNDR reliefs have led to a large decrease in collectable NNDR 2020/21, this has led to a large collection fund deficit reflected in the Collection Fund Adjustment Account - Government grant will fund this shortfall.

2020/21 £000		2021/22 £000
(1,485)	Balance at 1 April	(19,100)
(17,615)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	11,182
(19,100)	Balance at 31 March	(7,918)

h) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account. The COVID restrictions have led to officers rolling over high annual leave balances at 31 March 2021 and this has caused the increase in the account.

2020/21 £000		2021/22 £000
(3,789)	Balance at 1 April	(6,282)
3,789	Settlement or cancellation of accrual made at the end of the preceding year	6,282
(6,282)	Amounts accrued at the end of the current year	(4,633)
(2,493)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,649
(6,282)	Balance at 31 March	(4,633)

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
(4,994)	(4,984)	Depreciation, impairment and downward revaluation	17,394	17,395
483	483	Amortisation	368	368
8,056	2,849	Movement in creditors	41,871	43,659
(11,168)	(11,622)	Movement in debtors	(11,872)	(13,046)
(12,889)	(2,976)	Movement in long-term debtors	(1,439)	(1,439)
(11)	(11)	Movement in inventories	(54)	(54)
3,123	3,133	Movement in pension liability	20,082	20,115
1,866	1,866	Increase / (decrease) in provisions	(191)	(191)
11,002	5,373	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	11,904	11,648
8,421	8,635	Other non-cash items charged to the net surplus or deficit on the provision of services	8,761	9,280
3,889	2,746	Net cash flows from operating activities	86,824	87,735

Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities:

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
(22,119)	(22,119)	Capital grants credited to the Consolidated Income and Expenditure Statement	(38,236)	(38,236)
(13,168)	(13,168)	Proceeds from sale of fixed assets	(20,076)	(19,750)
(35,287)	(35,287)	Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities	(58,312)	(57,986)

27. Cash Flow Statement – Investing Activities

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
(103,302)	(103,302)	Purchase of property, plant and equipment, investment property and intangible assets	(139,168)	(142,345)
(183,277)	(184,511)	Purchase of short-term and long-term investments	(1,282,342)	(1,276,482)
13,168	13,168	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20,076	20,913
20,433	20,433	Capital grants received	43,824	38,408
224,333	227,150	Proceeds from short-term and long-term investments	1,307,913	1,307,913
(28,645)	(27,062)	Net cash flows from investing activities	(49,697)	(51,593)

28. Cash Flow Statement – Financing Activities

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
65,809	65,809	Cash receipts of short-term and long-term borrowing	53,376	48,660
(61,060)	(61,060)	Repayments of short-term and long-term borrowing	(19,318)	(17,263)
4,749	4,749	Net cash flows from financing activities	34,058	31,397

29. Trading Operations

2020/21 (Surplus)/ Deficit £000		2021/22 Income £000	2021/22 Expenditure £000	2021/22 (Surplus)/ Deficit £000
430	a) Open Air Market The Authority operates an open air market four days a week	(322)	598	276
(339)	b) Other Trading Accounts Highways	(3,100)	2,375	(725)
3,686	Schools/Welfare Catering	(7,275)	7,626	351

Open Air Market -The Market trading results have improved for 2021/22 when comparing with 2020/21 due to the easing of COVID-19 lockdown restrictions. However there is still a decline in Market trading.

Highways – Actual surplus income has increased by £0.386m in comparison to 2020/21. Due to the reduced programme of works delivered in 20/21 resulting from the impacts of Covid19, reactive maintenance and crossover works which would ordinarily have been completed in 2020/21 were carried forward and delivered in 21/22. This contributed to increased income and an ultimately a net increased surplus.

Schools/Welfare Catering - The impact of COVID-19, primarily in the early months of the year, have caused the service to have a £0.351m deficit in 2021/22. In addition, the Council received £58,000 of Covid furlough income which were allocated as budgets for catering staff.

30. Pooled Budgets

Mental Health

Under the National Health Services Act 2006 & Local Government Acts 1972 & 2000, a partnership arrangement was established with the North East London Foundation Trust (NELFT). The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners (although NELFT became the host partner from January 2011). This includes integrated services and joint commissioning in relation to the provision of Health & Social Care Services, for Adults with Mental Health (MH) issues who qualify for such provision. The pooled budget is accounted for under a joint arrangement

2020/21 £000		2021/22 £000
	Funding	
1,361	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,337
94	Recharges (excluded from the Pooled Budget)	72
1,730	Non Pooled Budget codes	1,942
3,185	Total funding	3,351
2,813	Final outturn	2,843

Adult Services – Better Care Fund

Under the National Health Services Act 2006 section 13Z (2) and 14Z (3) & Local Government Acts 1972 & 2000, a partnership arrangement was established with NHS Havering Clinical Commissioning Group (CCG).

The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners, out of which payment was made towards expenditure incurred in the exercise of prescribed local authority functions and prescribed NHS functions through joint commissioning arrangements.

The agreed Pooled budget between LBH and the CCG is split into three main parts which are activities relating to Capital, Commissioned services and items charged with LBH revenue costs.

The pooled budget is accounted for under a joint arrangement.

Expenditure in 2021/22 was as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2021/22 £000	Actual 2021/22 £000	BCF Funding Outturn 2021/22 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	2,014	(43)
Net Pooled Capital	2,057	2,014	(43)
LBH Funding Revenue - CCG Commissioned Services	12,240	12,240	0
Minimum CCG Contribution - Expenditure	11,864		
CCG Minimum Contribution -to be paid back to the CCG monthly - Home First	50		
CCG Minimum Contribution -to be paid back to the CCG monthly - Ageing Well	326		
Revenue - CCG/ LBH			
Minimum CCG Contribution - Expenditure	9,030	9,030	0
CCG Minimum contribution representing ex256 monies	5,500		
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,379		
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172		
CCG contribution to Care Act	727		
CCG contribution to Home, Settle and Support Service (HSSS)	178		
CCG contribution to Local Area Co-ordinators	200		
LBH Additional Contribution	874		
Additional CCG Contribution (Non-Recurrent)	4,879	0	(4,879)
Discharge Support	3,300		
Ageing Well	1,578		
Improved Better Care Fund	6,624	6,624	0
Net Pooled Revenue	32,773	27,894	(4,879)
Total Pooled	34,830	29,908	(4,922)

Underspend on capital has been carried forward into the following financial year (2022/23).

Comparative figures for 2020/21 are as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2020/21 £000	Actual 2020/21 £000	BCF Funding Outturn 2020/21 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	1,356	(701)
Net Pooled Capital	2,057	1,356	(701)
LBH Funding Revenue - CCG Commissioned Services			
Minimum CCG Contribution - Expenditure	11,516	11,516	0
Revenue - CCG / LBH			
Minimum CCG Contribution - Expenditure	8,650	8,650	0
CCG Minimum contribution representing ex256 monies	5,223	5,223	
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,318	1,318	
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172	172	
CCG contribution to Care Act	691	691	
LBH Additional Contribution	873	873	
Net Pooled Revenue	20,166	20,166	0
Total Pooled	22,223	21,522	(701)

31. Members' Allowances

Payments in year were £1,006,602 including expenses (£983,156 in 2020/21). Additionally, payments to co-opted members totalled £1,117 (£1,468 in 2020/21).

32. Officers' Remuneration

The number of employees (including teaching staff) whose remuneration, excluding employer pension contributions, was £50,000 or more, in bands of £5,000 was:

			2020/21			2021/22		
Lower Band		Upper Band	Schools	Other	Total	Schools	Other	Total
£50,000	-	£55,000	47	90	137	49	77	126
£55,000	-	£60,000	23	52	75	17	52	69
£60,000	-	£65,000	16	23	39	19	22	41
£65,000	-	£70,000	15	13	28	7	10	17
£70,000	-	£75,000	12	14	26	14	5	19
£75,000	-	£80,000	3	15	18	8	18	26
£80,000	-	£85,000	8	4	12	8	4	12
£85,000	-	£90,000	2	10	12	5	9	14
£90,000	-	£95,000	2	2	4	3	5	8
£95,000	-	£100,000	1	4	5	1	4	5
£100,000	-	£105,000	2	2	4	1	3	4
£105,000	-	£110,000	1	2	3	2	1	3
£110,000	-	£115,000		3	3		2	2
£115,000	-	£120,000			0		2	2
£120,000	-	£125,000			0		1	1
£125,000	-	£130,000		1	1		1	1
£130,000	-	£135,000			0			0
£135,000	-	£140,000		1	1			0
£140,000	-	£145,000			0			0
£145,000	-	£150,000		3	3		1	1
£150,000+				4	4		6	6
			132	243	375	134	223	357

The table includes staff for whom additional disclosures are required, as set out below (Senior Officers Remuneration).

Senior Officers Remuneration

The following table sets out the remuneration disclosures for Senior Officers in accordance with regulation 7 of the Accounts and Audit (England) Regulations 2011. Under the revised regulations, the definitions of Senior Officers which are relevant to the Authority are:

- a) the designated head of paid service, a statutory chief officer or non-statutory chief officer of a relevant body as defined under the Local Government Act 1989; or
- b) any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money whether solely or collectively with other persons.

This has been determined to mean the Authority's Chief Executive and Senior Leadership Team.

The relevant proportion of the Authority's contribution to the Local Government Pension Scheme which can be related to the Senior Officer is included in the table as required by the regulations.

Post Holder Information	Notes	Salary	Other payments	Total Remuneration excluding pension contributions 2021/22	Employer's pension contribution	Total Remuneration including pension contributions 2021/22
		£	£	£	£	£
Chief Executive - Andrew Blake-Herbert		186,489		186,489	28,244	214,733
Chief Operating Officer - Jane West	1	157,064		157,064	0	157,064
Section 151 Officer	2	10,027		10,027	1,654	11,682
Director of Neighbourhoods - Barry Francis		152,751		152,751	25,204	177,955
Director of Children's Services		148,329		148,329	24,474	172,803
Director Adult Services - Barbara Nicholls		157,182		157,182	23,806	180,988
Director of Public Health		114,012		114,012	19,245	133,257
Director of Housing - Patrick Odling-Smee		152,751		152,751	25,204	177,955
Director of Regeneration	3	59,332	180,000	239,332	0	239,332
Total		1,137,937	180,000	1,317,937	147,832	1,465,769

Note 1 The Chief Operating Officer left London Borough of Havering on 1st March 2022

Note 2 The Section 151 Officer started on 2nd March 2022

Note 3 The Director of Regeneration post at 0.4 full time equivalent has an equivalent full-time annualised salary of £148,329. The other payment of £180,000 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

In addition to this, Simon Pollock, the Executive Director of oneSource, again a shared appointment between Havering and Newham, was paid £153,394.57 which was the full cost between the two Boroughs. He vacated the role on 31st December 2021 and interim arrangements were put in place whilst the role was unoccupied. Further details on the OneSource cost sharing arrangement is reported under note 36, Related Parties.

The comparative figures for 2020/21 are as follows:

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2020/21 £	Employer's pension contribution £	Total Remuneration including pension contributions 2021/22 £
Chief Executive - Andrew Blake-Herbert	1	177,204	17,551	194,755	27,644	222,399
Chief Operating Officer - Jane West	1	154,956	2,399	157,355	-	157,355
Director of Neighbourhoods	2	57,490	369	57,859	8,968	66,827
Director of Children's Services	3	120,376	334	120,710	18,779	139,489
Previous Director of Children's Services	3	77,483	334	77,817	12,223	90,040
Director Adult Services		146,466	668	147,134	22,849	169,983
Director of Public Health		109,320	-	109,320	15,720	125,040
Director of Housing	4	66,763	369	67,132	10,415	77,547
Director of Regeneration	5	50,591	156,000	206,591		206,591
Total		960,649	178,024	1,138,673	116,598	1,255,271

Note 1 As part of his Electoral duties, the Chief Executive received a sum of £17,551 and as part of her Electoral duties, the Chief Operating Officer received a sum of £2,399.

Note 2 The Director of Neighbourhoods commenced post on 1st November 2019.

Note 3 The previous Director of Children's Services left on 30th September 2019. The new Director commenced post on 1st October 2019.

Note 4 The Director of Housing commenced post on 7th October 2019.

Note 5 The Director of Regeneration commenced post on 1st May 2019, at 0.4 FTE and has an equivalent full-time annualised salary of £137,976. The other payment of £156,000 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

* In addition to the above, the Executive Director of oneSource, again a shared appointment between Havering, Newham and Bexley Council, was paid £120,214. These costs are the full cost between the three Boroughs. Further details on the OneSource cost sharing arrangement is reported under note

33. External Audit Costs

The following fees relating to external audit and inspection were included in the 2020/21 accounts:

2020/21 £000		2021/22 £000
117	Fees payable with regard to external audit services carried out by appointed auditor	117
31	Certification of grant claims (housing benefit subsidy claim, capital pooling receipts and teachers pension)	37
218	Amounts relating to prior year Statement of Accounts 2018/19 & 2019/20 scale fee variation and extra fees	299
0	Audit fees refunded by the PSAA (Public Sector Audit Appointments Ltd.)	0
366	Total for year	453

34. Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. An overdrawn balance on the DSG account of £2.655million has been transferred to a negative unusable reserve in 2021/22 to emphasise the balance is separate from Council general fund balances. The total negative unusable reserve balance carried forward is now £4.320million

Details of the deployment of DSG receivable for 2021/22 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure	Individual Schools Budget	Totals
	£000	£000	£000
Final DSG for 2021/22 before academy and high needs recoupment			250,445
Less academy and high needs figure recouped for 2020/21			(118,945)
Total DSG after academy and high needs recoupment for 2021/22			131,500
Plus: brought forward from 2020/21			0
Less: Carry-forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution for 2021/22	39,532	91,968	131,500
In year adjustments	(398)		(398)
Final budgeted distribution for 2021/22	39,134	91,968	131,102
Less: Actual central expenditure	(41,789)		(41,789)
Less: Actual ISB deployed to schools		(91,968)	(91,968)
Plus: Local authority contribution for 2021/22			0
In year carry forward to 2022/23 (negative DSG Reserve)	(2,655)	0	(2,655)
Plus: Carry forward to 2022/23 agreed in advance			
Carry forward to 2022/23			(2,655)
DSG unusable reserve at the end of 2020/21			(1,665)
Addition to DSG unusable reserve at the end of the 2021/22			(2,655)
Total of DSG unusable reserve at the end of 2021/22			(4,320)
Net position at the end of 2021/22			(4,320)

Comparative figures for 2020/21 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure	Individual Schools Budget	Totals
	£000	£000	£000
Final DSG for 2020/21 before academy recoupment			231,953
Less academy figure recouped for 2020/21			(108,299)
Total DSG after academy recoupment for 2020/21			123,654
Plus: brought forward from 2019/20			(1,034)
Agreed initial budgeted distribution for 2020/21	37,885	84,034	121,919
In year adjustments	701	0	701
Final budgeted distribution for 2020/21	38,586	84,034	122,620
Actual central expenditure	(40,251)		(40,251)
Actual ISB deployed to schools		(84,034)	(84,034)
Plus: Carry forward to 2021/22 agreed in advance	(701)		(701)
Carry forward to 2021/22	(1,665)	0	(1,665)

35. Grants and Other Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

2020/21 £000		2021/22 £000
Credited to Taxation and Non Specific Grant Income		
1,398	Revenue Support Grant	1,406
44,098	Non ring-fenced Grant	29,189
22,119	Capital Grants	38,236
67,615	Total	68,831
Credited to Services		
42,358	Rent Allowances	34,730
25,730	Rent Rebates	24,071
11,210	Public Health Grant	11,482
124,273	Dedicated Schools Grant	131,060
7,776	Better Care Fund	8,157
7,376	Hospital Discharge Fees	6,214
	NHS 6 weeks Funding	5,405
672	Other Contributions from CCG	411
8,402	Contributions from Other Local Authorities	7,027
	Discretionary Business Support	6,841
4,973	Pupil Premium Grant	4,794
2,702	Universal Free School Meals	2,718
2,230	Other Childrens and Education Funding	4,329
1,165	Unaccompanied Asylum Seeking Children Funding	1,044
1,515	Flexible Homelessness Grant	3,942
4,010	Teachers Pension and Pay Grants	191
7,289	COVID-19 (Contain Outbreak Management Fund)	2,624
6,234	COVID-19 (Infection Control)	6,343
	COVID-19 (Emergency Assistance)	2,556
655	COVID-19 (Lateral Flow Testing)	2,325
3,425	COVID-19 Other Grants	1,817
9,157	Other	6,429
271,152	Total	274,509

Current Liabilities

b) Capital Grants – receipts in advance:

2020/21 £000		2021/22 £000
9,287	Brought forward	8,094
493	Amounts received in year	5,588
(1,686)	Amounts applied to meet new capital investment	(1,101)
8,094	Carried forward	12,581

36. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Members

Members of The Authority have direct control over its financial and operating policies. The total of Members' allowances paid in 2021/22 is shown in Note 31.

The table below shows the Related Party interests in other entities as disclosed by Members and the transactions that took place between the Authority and the Related Party. Individual transactions were approved by officers and not by Members named. Information is included to ensure transparent disclosure.

Organisations	Member	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
BETRA Tenant Management	Paul McGeary	363	0	0	0
Caerus (Hornchurch)	Michael White	0	0	(127)	0
East London Waste Authority	Osman Dervish Robert Benham	11,933	0	(1,163)	0
First Step Charity	Linda Van den Hende	1	0	(8)	0
Friends of Upminster Windmill	Linda Hawthorn	10	0	0	0
Havering Arts Council	Joshua Chapman Jason Frost Tim Ryan Carol Smith Ciaran White	1	0	0	0
Havering Association for People with Disabilities (HAD)	Christine Smith Nic Dodin	92	0	0	0
Havering Mind	Linda Van den Hende	235	0	(20)	0
Havering Sports Council	Viddy Persaud Tim Ryan Dilip Patel Ciaran White	2	0	0	0
Hornchurch Housing Trust	Melvin Wallace Nic Dodin John Mylod Carol Smith	0	0	(7)	0
Local Government Association (LGA)	Damian White Gilian Ford Linda Van den	48	0	0	0
Local Government Information Unit (LGIU)	Robert Benham	13		0	
London Councils	Joshua Chapman Jason Frost Roger Ramsey Damian White	1,942	0	(208)	0
London Riverside BID	Robert Benham	388	0	(22)	0
London Road Safety Council	Robert Benham	5	0	0	0
London Youth Games	Viddy Persaud	8	0	0	0
Romford Town Management Partnership	Joshua Chapman Damian White	653	0	(22)	0
Tapestry	Christine Smith Linda Hawthorn	480	0	0	0
The Havering Theatre Trust Ltd	Paul McGeary	121	0	(25)	0
The Learning Federation - Mead and Broadford Schools	Paul McGeary	8,249	0	(5)	0

Officers

The table below shows the material related party disclosures by officers.

Organisation	Officer	Payments to Organisations by the Authority	Balance Outstanding	Income	Income Outstanding
		£000	£000	£000	£000
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Mr N Stubbings	74	0	0	0

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

Transactions between the London Borough of Havering and the UK Government; its department, agencies, NHS bodies and other authorities are disclosed elsewhere in the Accounts, most notably:

Note 11	Other operating expenditure: levies;
Note 13	Taxation and Non-specific Grant Income;
Note 30	Pooled budgets;
Note 34	Dedicated Schools Grant; and
Note 35	Grant Income

Entity controlled or significantly influenced by the Authority

Joint Committee with London Borough of Newham (oneSource)

oneSource is a public sector shared back-office support arrangement which is supported by members through a joint committee. The joint committee receive key reports and make strategic decisions about oneSource's operation. oneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services (Newham's Exchequer service was subsequently removed). On the 1st April 2016 the London Borough of Bexley joined oneSource in a more limited capacity than Havering and Newham, providing Bexley with Finance (excluding procurement) and Exchequer and Financial Transactional services.

On 31st July 2020, the London Borough of Bexley ceased to be part of the Joint Committee and on 6th September 2020 the London Borough of Newham created its sovereign Finance department. During the year Procurement and Finance were also split into two separate departments. During the course of 2021/22 (31st December 2021) the role of Executive Director was vacated and remains unoccupied whilst the two authorities consider the best approach for managing the arrangement in the future.

The oneSource net controllable expenditure for 2021/22 is disclosed below indicating the share falling to each of the authorities. The LBH share is charged against the Consolidated Income and Expenditure Statement.

2020/21 £000	oneSource	2021/22 £000
	Net Expenditure	
7,301	Exchequer and Transactional Services	5,037
7,621	Finance	2,303
2,202	Procurement	1,596
878	Business Services	906
3,302	Legal and Governance	3,517
10,000	ICT	9,006
2,874	Asset Management	2,359
3,446	Strategic and Operational HR	3,633
37,624	Total Net Expenditure	28,357
	Cost Sharing:	
20,901	London Borough of Newham	14,801
15,596	London Borough of Havering	13,556
1,127	London Borough of Bexley	0

The joint committee council members are; Councillors R Benham, R Ramsey and D White (from Havering Council), Councillors R Fiaz, Z Ali and T Paul (from Newham Council).

The following oneSource Chief Officers have joint managerial responsibility for services across authorities and as such have significant influence over operational effectiveness and decision making of the related parties. These roles are set out below.

Shared oneSource role	Employing organisation	Period
Executive Director	London Borough of Havering	April 2021 - December 2021
Director of Asset Management	London Borough of Havering	April 2021 - March 2022
Director of Exchequer and Transactional	London Borough of Havering	April 2021 - March 2022
Director of Legal and Governance	London Borough of Newham	April 2021 - March 2022
Director of Human Resources	London Borough of Havering	April 2021 - March 2022
Director of Business Development	London Borough of Newham	April 2021 - March 2022
Director of Finance	London Borough of Havering	April 2021 - March 2022
Director of ICT / Chief Information Officer	London Borough of Newham - Agency	April 2021 - March 2022
Director of Procurement	London Borough of Newham	April 2021 - March 2022

Mercury Land Holdings Ltd

The Authority controls Mercury Land Holdings Ltd through its ownership of 100% of the shares in the company. Further details are included as part of the Group Accounts section in the Statement of Accounts.

The Council has determined that for the financial year ended 31st March 2021, it has a material interest in one of its subsidiaries, Mercury Land Holdings (MLH).

Details of the Council's other subsidiaries and external bodies together with the associated accounting treatment are also disclosed within Note 36.

MLH is a wholly-owned subsidiary company that was formed in 2016 to facilitate the Authority's construction and investment in private rental properties within the Borough

MLH directors who have held office since 1st April 2018 are as follows:

- Andrew Blake-Herbert
- Anthony Huff
- Garry Green
- Ian Rhodes

Havering and Wates Regeneration LLP

The LLP was formed on 19th April 2018 as a joint venture with two members, Wates Construction Limited and the London Borough of Havering. The LLP's principal activity is the building and selling of residential apartments and houses in the London Borough of Havering.

The Council influences the joint venture through its 50% share in the LLP. For the financial year ended 31st March 2022, the share of the profit and loss account is a £204k loss. A 50% of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £9.5m property development in progress. The Council's balance sheet includes the Council's loan to the LLP, £6.457m as at 31st March 2022.

Bridge Close Regeneration LLP

The LLP was formed on 4th April 2018 as a joint venture between FB BCR LLP (First Base and Savills Investment Management) and the London Borough of Havering, in order to deliver the comprehensive regeneration of the site at Bridge Close, Romford, including the development and sale of residential and commercial property as well as the development of social infrastructure, a bridge, public realm and environmental improvements to the River Rom.

The Council took full control over the joint venture during 2020/21 by buying First Base/Savill's 50% share of the LLP through a wholly owned company, Bridge Close Regeneration Nominee Company Limited. For the financial year ended 31st March 2021, the Council's share of the profit and loss account was a £19k loss. The balance sheet includes the Council's and nominee company's loan investment in the LLP, £17.916m as at 31st March 2022.

Rainham & Beam Park LLP Joint Venture

The LLP was incorporated on 9th February 2018 as a Limited Liability Partnership. The LLP was set up to partially purchase ten derelict industrial sites in Rainham and Beam Park in the London Borough of Havering for the development of a high density residential scheme. The scheme will consist of 774 units of mixed tenures. The scheme is currently at planning stage, with limited activities on-going. The Council's £2.104m investment is shown on the balance sheet.

Pension Fund

As the administrator of the Pension Fund, the Authority has direct control of the fund. The transactions between the Authority and the Pension Fund are detailed within Note 25 of the Pension Fund Accounts.

37. Capital Expenditure and Capital Financing

The following statement shows how the Authority's capital expenditure was financed and the consequent change in underlying borrowing:

2020/21 £000	Capital Expenditure	2021/22 £000
92,945	Property, Plant and Equipment	133,510
0	Heritage	95
112	Investment fixed assets	0
19	Intangible Assets	15
5,870	Revenue expenditure funded from capital under statute	5,644
7,618	Long Term Investments	5,865
11,130	Long Term Loans	1,925
117,694	Total capital expenditure	147,054
	Less financed from	
(20,638)	Capital receipts	(10,403)
(17,242)	Major repairs	(14,785)
(3,858)	Revenue funds	(8,732)
(21,052)	Grants and contributions	(37,322)
54,904	Increase in need to borrow	75,812
(3,688)	Minimum Revenue Provision	(4,705)
(3,140)	Use of Receipts to repay Debt	(3,683)
48,076	Change in Capital Financing Requirement	67,424

The following statement shows the make-up of the Authority's Capital Financing Requirement under the Prudential Code:

31 March 2021 £000	Capital Financing Requirement	31 March 2022 £000
1,499,031	Tangible fixed assets	1,595,539
29,610	Capital Investments - Equity	34,475
35,645	Capital Investments - Loans	34,019
621	Intangible assets	269
(489,323)	Revaluation Reserve	(476,149)
(674,082)	Capital Adjustment Account	(719,227)
401,502	Net Requirement	468,926

38. Leases

Operating Leases

Vehicles, Plant and Equipment Leases

The Authority has entered into the following operating leases for vehicles, plant and equipment.

The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases were as follows:

2020/21 £000		2021/22 £000
240	Children's and Education Services	622
0	Highways, Roads and Transport Services	0
240	Minimum Lease Payments	622

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2021 £000		31 March 2022 £000
192	Not later than one year	620
324	Later than one year and not later than five years	573
7	Later than five years	19
523	Minimum Lease Payments	1,212

Property Leases

The Authority has acquired a number of properties by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2021 £000		31 March 2022 £000
0	Not later than one year	61
0	Later than one year and not later than five years	61
0	Minimum Lease Payments	0

Changes to accounting standards: IFRS16 Leases

The implementation of IFRS 16 Leases in the Code has been deferred until the 2024/25 financial year..

The main change introduced by IFRS 16 that is likely to impact the Council is accounting as a lessee for what are currently referred to as operating leases. These are where the Council enters into contracts for services with asset implications and / or where it has benefits and use of those assets. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES. The Council will update its accounting policy on leases to reflect the changes, including a threshold for exempt low-value leases.

39. Revaluation Gains and Impairment Losses

During 2021/22, the Authority has recognised a net revaluation gain of £6.9m in the Comprehensive Income and Expenditure Statement in relation to its revaluation of assets. A breakdown of the revaluations and impairments by asset class can be found in the table below:

Asset Class	Revaluation Gains Credited to the CI&ES £000	Revaluation Loss Charged to the CI&ES £000
Council dwellings	14,790	0
Other land and buildings	3,039	(7,174)
Community Assets	0	0
Surplus Assets	57	(547)
Total Property Plant and Equipment	17,886	(7,721)
Investment Properties	84	(3,323)
Assets Held for Sale	0	0
Total (gain) or loss to the CI&ES	17,970	(11,044)

40. Termination Benefits

The numbers of exit packages with total cost per band, and total costs of compulsory and other redundancies, are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of Departures Agreed		Total Number of exit packages by Cost Band		Total Cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	15	3	1	20	16	23	100,076	231,665
£20,001 - £40,000	3	1	0	4	3	5	76,405	144,123
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	1	0	1	0	82,624
£100,001 - £150,000	0	0	0	0	0	0	0	0
>£150,000	0	0	0	0	0	0	0	0
Total	18	4	1	25	19	29	176,481	458,412

41. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers Pensions

Teachers employed by the Authority are members of the Teachers Pension scheme administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rates paid by Local Education Authorities (LEAs). However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22 the Authority paid £8.6m (£8.3m 2020/21) to Teachers Pensions in respect of teachers' pension contributions. This represented a contribution rate of 23.68% (23.68% in 2020/21). There were no contributions remaining payable at the end of the period.

The Authority is responsible for the costs of any additional benefits awarded upon early retirements outside the terms of the Teachers' scheme.

NHS Pension Scheme

The Health and Social Care Act 2012, makes provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities.

In 2021/22 the Authority paid £57736.66 (£54,955 in 2020/21) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (16.88% in 2020/21).

42. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by London Borough of Havering. This is a funded defined benefit final salary scheme, meaning that Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The London Borough of Havering pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Authority. Policy is determined in accordance with the Pensions Fund Regulations. The day to day operations of the Fund have been delegated to the Statutory Section 151 officer, the Chief Operating Officer. The investment managers of the fund are appointed by the committee and consist of the following Investment Fund Managers:

1. Legal & General Investment Management (LGIM)
2. London CIV (Collective Investment Vehicle) Sub funds:
 - Ballie Gifford Global Alpha Paris Aligned Fund
 - Ballie Gifford Diversified Growth
 - Ruffer
 - Infrastructure Renewables Fund
 - Passive Equity Progressive Paris Aligned (PEPPA) Fund
3. Royal London
4. UBS
5. CBRE
6. Stafford Capital
7. JP Morgan
8. Churchill
9. Permira
10. Russell Investments

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. The amount is included in the IAS 19 figures reported for the Local Government Pension Scheme.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they're earned by employees, rather than when benefits are eventually paid as pensions. However, the charge to be made against council tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and the Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement in the year:

2020/21 £000		2021/22 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
28,160	Current service cost	44,563
75	Past service costs	164
0	Gain from settlements	0
	Financing and Investment Income and Expenditure	
9,650	Net interest expense	10,999
37,885	Total post-employment benefits charged to the surplus or deficit on the provision of services	55,726
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(138,294)	Return on plan assets (excluding the amount included in the net interest expense)	(20,025)
251,973	Actuarial gains and losses arising on changes in financial assumptions	(84,185)
5,914	Other	(5,190)
119,593	Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement	(109,400)
	Movements in Reserves Statement	
(37,885)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(55,726)
	Actual amount charged against the General Fund Balance for pensions in the year:	
34,762	Employers' contributions payable to scheme	35,644
(3,123)	Net movement in Pensions Reserve	(20,082)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

2020/21 £000		2021/22 £000
	Local Government Pension Scheme	
(1,312,492)	Present value of the defined benefit obligation	(1,263,305)
766,681	Fair value of plan assets	806,812
(545,811)	Net liability arising from defined benefit obligation	(456,493)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2020/21 £000		2021/22 £000
	Local Government Pension Scheme	
609,796	Opening fair value of scheme assets	766,681
14,067	Interest income	15,370
	Re-measurement gain (loss):	
138,294	The return on plan assets, excluding the amount included in the net interest expense	20,025
34,762	Contributions from employer	35,644
6,274	Contributions from employees into the scheme	6,481
(36,512)	Benefits paid	37,389
766,681	Closing fair values of scheme assets	881,590

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

2020/21 £000		2021/22 £000
	Funded liabilities: Local Government Pension Scheme	
1,032,891	Opening balance at 1 April	1,312,492
28,160	Current service cost	44,563
23,717	Interest cost	26,369
6,274	Contributions from scheme participants	6,481
	Re-measurement (gains) and losses:	
251,973	Actuarial (gains)/ losses arising from changes in financial assumptions	(84,185)
5,914	Other	(5,190)
75	Past service cost (Including curtailments)	164
(36,512)	Benefits paid	(37,389)
1,312,492	Closing balance at 31 March	1,263,305

Local Government Pension Scheme assets comprised:

2020/21				Asset Category	2021/22			
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
				<u>Debt Securities</u>				
84,535		84,535	11.00	Corporate bonds (investment grade)	73,834		73,834	9.00
3,931		3,931	1.00	UK Government	1,916		1,916	0.00
32,376		32,376	4.00	Other	34,346		34,346	4.00
				<u>Real Estate</u>				
36,144		36,144	5.00	UK Property	53,997		53,997	7.00
				<u>Investment Funds and Unit Trusts</u>				
321,405		321,405	42.00	Equities	491,109		491,109	61.00
32,312		32,312	4.00	Bonds	0		0	0.00
39,078		39,078	5.00	Infrastructure	49,862		49,862	6.00
199,217		199,217	26.00	Other	76,816		76,816	10.00
				<u>Derivatives</u>				
692		692	0.00	Foreign Exchange	(1,905)		(1,905)	0.00
				<u>Cash and Cash Equivalents</u>				
16,993		16,993	2.00	All	26,837		26,837	3.00
766,681		766,681	100.00	Totals	806,812		806,812	100.00

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Authority Fund being based on the latest full valuation of the scheme as at 31 March 2022

2020/21 £000		2021/22 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.8 years	Men	21.6 years
24.1 years	Women	24.0 years
	Longevity at 65 for future pensioners:	
22.9 years	Men	22.6 years
25.9 years	Women	25.7 years
2.85%	Rate of inflation (CPI)	3.20%
3.55%	Rate of increase in salaries	3.90%
2.85%	Rate of increase in pensions	3.20%
2.00%	Rate for discounting scheme liabilities	2.70%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate Monetary amount £000
in Real Discount Rate	2%	23,009
1 Year increase in life expectancy	4%	50,532
in the Salary Increase Rate	0%	1,782
in the Pension Increase Rate	2%	21,057

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2023.

The Authority anticipates to pay £27.201m expected contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 18 years as 31st March 2022 (18 years 31 March 2021).

43. Contingent Liabilities

MMI Scheme of Arrangement

Municipal Mutual Insurance Limited (MMI), a company limited by guarantee formed by Local Authorities, is subject to a contingent scheme of arrangement which became effective on 21 January 1994. The company has been the subject of an orderly run off since that time. However, the schemes administrators, Ernst and Young, triggered the scheme of arrangement during 2012/13. A 15% levy was imposed based upon the result of an actuarial valuation of claims as at 31 December 2012. In accordance with the Scheme of Arrangement, the Levy Notice was received dated 1 January 2014 and a payment made of £338,000 in respect of the 15% levy due. Following a further review of assets and liabilities a further levy of 10% was made and an additional £285,000 paid by 12 May 2016. This brings the total levy to 25% for past and future claims. Outstanding claims will continue to be paid with a 25% contribution from the Authority in respect of the ongoing levy under the terms of the scheme of arrangement. The total levy to 31 March 2022 is £742,353 with estimated scheme liabilities at the same date of £115,804. Additional demands for further levy contributions above the 25% for past and future liabilities may be made. The Authority has made provision for the levy within the Insurance Earmarked Reserve.

44. Heritage Assets: Five-year Summary of Transactions

There were no acquisitions or disposals of heritage assets within the last five years. Following a review, the Council's assets, Tithe Barn and Coronation Gardens have been identified as meeting the definition of heritage assets. Upminster Windmill was valued £2.1m higher.

45. Trust Funds

The Authority acts as sole trustee for the following trust funds, which are not included in the Comprehensive Income and Expenditure Statement or Balance Sheet and are not subject to separate audit.

	Richard Ballard Charity £	Lucas Children's Play Site Charity £
Balance 31 March 2021	6,500	146,360
Receipts	11	244
Payments	(11)	0
Balance at 31 March 2022	6,500	146,604

The Richard Ballard Charity

Interest on the capital from the sale of two properties sold for a street widening scheme is used for highway repairs.

The Lucas Children's Play Charity

The income from this charity may be applied towards the provision, maintenance and improvements of children's playgrounds and equipment in the borough.

Housing Revenue Account

Housing Revenue Account Income and Expenditure Statement 2021/22

The Housing Revenue Account (HRA) includes all transactions relating to the provision, management and maintenance of the Authority's housing stock. The increase or decrease in the year on the basis of which rents are raised is shown in the movement on the HRA Statement. The Account is "ring-fenced" in accordance with the Local Government and Housing Act 1989. Transfers to and from the General Fund are only permitted in certain specified circumstances.

2020/21 £000		Notes	2021/22 £000
	Income		
(46,168)	Dwelling rents		(47,627)
(395)	Non-dwelling rents		(464)
(7,970)	Charges for services and facilities		(8,582)
(5,926)	Contributions towards expenditure		(26,924)
(60,459)	Total Income		(83,597)
	Expenditure		
6,821	Repairs and maintenance		9,769
22,615	Supervision and management		20,920
1,103	Rents, rates, taxes and other charges		825
214	Increased provision for bad/doubtful debts		389
(17,480)	Depreciation and Impairment of tangible fixed assets	4	(2,246)
15	Debt management		0
13,288	Total Expenditure		29,657
(47,171)	Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		(53,940)
303	HRA Services' share of Corporate and Democratic Core		273
(46,868)	Net Expenditure of HRA Services		(53,667)
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(5,583)	Net gain on disposal of HRA assets		(7,734)
6,396	Interest payable and similar charges		6,405
(66)	Interest and investment income		(106)
(46,121)	Deficit/(Surplus) for the year on HRA Services		(55,102)

Movement on the Housing Revenue Account Balance during 2021/22

2020/21 £000		2021/22 £000
(9,832)	Housing Revenue Account balance brought forward	(17,028)
(46,121)	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	(55,102)
38,668	Adjustments between accounting basis and funding basis under regulations	52,814
(17,285)	HRA balance before transfer to earmarked reserves	(19,316)
257	Transfers to earmarked reserves	(257)
(17,028)	Housing Revenue Account balance carried forward	(19,573)

Note to the Statement of Movement on the Housing Revenue Account Balance 2021/22

2020/21 £000		2021/22 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
(353)	Pensions costs (transferred from the Pensions Reserve)	(598)
(194)	Holiday pay (transferred to the Accumulated Absences Reserve)	189
10,159	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,065)
9,612	Total Adjustments to Revenue Resources	(5,474)
Adjustments between Revenue and Capital Resources		
12,752	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	14,751
251	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	294
8,889	Posting of HRA resources from revenue to the Major Repairs Reserve	10,066
2,332	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	7,875
(98)	Deferred Capital Receipt	
24,126	Total Adjustments between Revenue and Capital Resources	32,986
4,930	Total Adjustments to Capital Resources:	25,302
38,668	Adjustments between accounting basis and funding basis under regulations	52,814

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2020/21 Number		2021/22 Number
	Flats	
2,709	1 bedroom	2,639
2,252	2 bedrooms	2,135
405	3 bedrooms	330
18	4 & 5 bedrooms	19
	Houses	
322	1 bedroom	324
1,105	2 bedrooms	1,090
2,328	3 bedrooms	2,309
186	4 & 5 bedrooms	185
9,325	Total Number of Dwellings	9,031

b) Balance Sheet Value of HRA Tangible Fixed Assets

2020/21 £000		2021/22 £000
	Operational	
644,663	Council Dwellings	671,117
18,968	Other Land & Buildings	15,004
0	Community Assets	0
977	Infrastructure	795
36,513	Assets Under Construction	97,861
701,121		784,777
701,121	Total Tangible Fixed Assets	784,777

c) Valuation of Council Dwellings at Year End

2020/21 £m		2021/22 £m
2,579	Vacant Possession Value	2,684
1,934	Excess of Vacant Possession over Balance Sheet Value	2,013
645	Balance Sheet value	671

The difference between the vacant possession value of HRA dwellings shown here and the balance sheet value of the dwellings shown in note 1(b) is a measure of the cost to Government of providing council housing at less than market rents.

2. Movement on Major Repairs Reserve

2020/21 £'000		2021/22 £'000
21,732	Balance brought forward at start of year	13,378
8,888 (17,242)	Total depreciation from Capital Adjustment Account less MRR used to fund Capital Expenditure on HRA Dwellings	10,066 (14,784)
13,378	Balance carried forward at end of year	8,660

3. a) Total Capital Expenditure and Funding

2020/21 £'000		2021/22 £'000
	Capital expenditure on HRA property and other assets:	
42,513	Dwellings	46,071
14,193	Assets Under Construction	56,324
2,449	Investments	18,900
59,155	Total expenditure	121,295
	Financed from:	
17,242	Major Repairs Reserve	14,785
4,724	Grants and contributions	25,307
2,332	Revenue contributions	7,875
16,797	Capital receipts	6,112
18,060	Borrowing	67,216
59,155	Total funding	121,295

b) HRA Capital Receipts

2020/21 £'000		2021/22 £'000
10,295	Right to Buy sales	14,470
2,958	Other property sales	666
13,253	Total cash receipts	15,136
(1,243)	Transferred for Pooling	(1,107)
12,010	Total income	14,029

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2020/21 £'000		2021/22 £'000
8,460	Dwellings	9,635
210	Other buildings	249
0	Equipment	0
218	Infrastructure	182
8,888	Total HRA depreciation	10,066
(26,369)	Revaluation credit/debit	(12,312)
(17,481)	Total HRA depreciation and Revaluation charge	(2,246)

5. Rent Income, Arrears and Bad Debts

2020/21 £'000	Rent	2021/22 £'000
105.98	Average weekly rent (including service charges unpooled)	104.92

31 March 2021 £000	Arrears and Bad Debts	31 March 2022 £000
3,670	Rent arrears at 31 March	4153
(3,445)	Bad debts provision at 31 March	(3,834)
225	Total	318

Collection Fund Account

Collection Fund 2021/22

These Accounts represent the transactions of the Collection Fund and have been consolidated with the Authority's main Accounts. The Accounts have been prepared on an accruals basis except in respect of sums due to or from the General Fund and the Greater London Authority (GLA) for their share of the Collection Fund surplus and deficit.

Income and Expenditure Statement 2021/22

2020/21			2021/22	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
		Income		
(36,817)	(161,108)	Income from Council Tax		(170,513)
		Income from Business Rates	(63,842)	
(17)		Transitional relief	328	
(1,054)		Income collectable from Business Rate Supplement	(1,840)	
		Previous Year Deficit recognised in the CI&ES		
(1,331)		London Borough of Havering	(14,149)	(815)
(528)		Central Government	(15,475)	(185)
(749)		Greater London Authority	(17,347)	
(40,496)	(161,108)	Total Income	(112,325)	(171,513)
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
	0	London Borough of Havering		
	0	Central Government		
	0	Greater London Authority		
		Precepts		
23,809	130,104	London Borough of Havering	23,953	134,980
26,189		Central Government	26,348	
29,364	29,515	Greater London Authority	29,542	32,090
		Charges to Collection Fund		
195	796	Write-offs	622	564
198	3,692	Increase/(decrease) in bad debt provision	804	1,109
11,887		Increase/(decrease) in provision for appeals	(660)	
267		Cost of collection	262	
		Business Rate supplement		
1,048		Payment to Greater London Authority	1,834	
6		Cost of Collection	6	
92,963	164,107	Total Expenditure	82,711	168,743
52,466	3,000	Movement in fund balance	(29,615)	(2,769)
2,928	0	Net deficit/(surplus) at start of year	55,394	3,000
55,394	3,000	Net deficit/(surplus) carried forward notes 3a) & 3b)	25,779	231

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of council tax in 2021/22 at £1,893.30 for band D properties. The number of band D equivalent properties in each band making up the council tax base was as follows:

Band	Number of Band D Equivalent Properties
A1	5
A	2,018
B	5,480
C	19,926
D	31,128
E	16,835
F	8,639
G	4,749
H	626
Allowance for losses in collection 1.30%	(1,163)
Tax Base	88,243

2. Income from Business Rates

Under the arrangements for uniform business rates, the Authority collects Non-Domestic Rates (NNDR) for its area. These are based on local rateable values of £202.8m at 31 March 2022 (£201.4m at 31 March 2021) multiplied by uniform rates for large and small businesses. In 2021/22 the rate was 51.2p for large businesses (51.2p in 2020/21) and 49.9p for small businesses (49.9p in 2020/21). The total amount, less certain reliefs and other deductions, are shared between Central Government, Havering and The Greater London Authority (GLA). In addition to the multiplier used to calculate business rates, all London local authorities are required to collect from businesses with a rateable value in excess of £70,000 an additional 2p supplement, which is payable to the GLA. Under these arrangements the amounts included in these Accounts can be analysed as follows

2a) Income collectable from Non Domestic Rates

2020/21 £000		2021/22 £000
97,829	Gross NNDR due in year	98,603
(61,012)	Less: Allowances and other adjustments	(34,761)
36,817	Net NNDR Yield	63,842

2b) Income collectable from Business Rate Supplement

2020/21 £000		2021/22 £000
2,416	Gross Supplement due in year	2,398
(1,363)	Less: Allowances and other adjustments	(558)
1,053	Net Business Rate Surplus Yield	1,840

From 2018/19, Havering has been a member of the London Business Rates Pool overseen by the GLA. The reduction in collectable NNDR has led to the pool being disbanded for 2021/22.

The deficit on the Collection Fund will be met by the precepting authority and the billing authority in the following proportions and will be recovered by adjusting the level of precepts and demands in future financial year. The Government has allowed the deficit charge estimated at January 2021 to be spread over three years.

3a) Council Tax

2020/21 £000		2021/22 £000
2,424	London Borough of Havering	184
576	Greater London Authority	47
3,000	(Surplus) / Deficit	231

3b) Business Rates

2020/21 £000		2021/22 £000
16,676	London Borough of Havering	7,734
18,283	Central Government	8,536
20,435	Greater London Authority	9,510
55,394	Deficit	25,780

Pension Fund Account

Fund Account, Net Asset Statement

Pension Fund Account for the year ended 31 March 2022

2020/21 £000		Notes	2021/22 £000
	Dealings with members, employers and others directly involved in the fund		
47,418	Contributions receivable	7	49,112
4,896	Transfers in from other pension funds	8	4,204
52,314			53,316
(38,804)	Benefits	9	(37,551)
(44,630)	Payments to and on account of leavers	10	(4,618)
(83,434)			(42,169)
(31,120)	Net additions (withdrawals) from dealings with members		11,147
(4,428)	Management expenses	11	(5,474)
(35,548)	Net additions/(withdrawals) including fund management expenses		5,673
	Returns on investments		
15,539	Investment income	12	14,977
-	Taxes on Income	13	-
165,548	Profit and losses on disposal of investments and changes in the market value of investments	14a	25,198
181,087	Net returns on investments		40,175
145,539	Net increase (decrease) in the net assets available for benefits during the year		45,848
728,696	Opening net assets of the Fund at start of year		874,235
874,235	Closing net assets of the Fund at end of year		920,083

Net Asset Statement for the year ended 31 March 2022

2020/21		Notes	2021/22
£000			£000
150	Long Term Investments	14	150
858,410	Investment Assets	14	907,290
(263)	Investment Liabilities	14	(2,220)
858,297	Total net investments		
16,403	Current Assets	21	15,612
(465)	Current Liabilities	22	(749)
874,235	Net assets of the Fund available to fund benefits at end of the reporting period		920,083

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 19 of these accounts.

Notes to the Pension Fund Accounts

1 Description of the Fund

The Havering Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer.

The following description of the scheme is a summary only. For more details on the operation of the Pension Fund, reference should be made to the Havering Pension Fund Annual Report 2021/22 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended),
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefits scheme, which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee, which is a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non-community schools. These have been accounted for within the London Borough of Havering.

There are 56 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below.

31 Mar 2021		31 Mar 2022
56	Number of employers with active members	56
	Number of employees in scheme	
4,650	London Borough of Havering	4,783
1,697	Scheduled bodies	1,810
79	Admitted bodies	82
6,426	Total	6,675
	Number of pensioners and dependants	
6,014	London Borough of Havering	6,110
369	Scheduled bodies	406
29	Admitted bodies	32
6,412	Total	6,548
	Deferred pensioners	
5,179	London Borough of Havering	5,680
791	Scheduled bodies	966
50	Admitted bodies	43
6,020	Total	6,689
18,858	Total number of members in pension scheme	19,912

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2022. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 14.2% to 40.8% of pensionable pay.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay. Havering Council pay a monetary value, other employers as a percentage of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirements, disability pensions and death benefits. For more details please refer to the LGPS pension website <https://www.lgpsmember.org/>.

2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* "the code" which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and guidance on Investment Valuations issued by the Pensions Research Accounts Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet into the Balance Sheet of Lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 20.

The Administering Authority is satisfied that Havering Pension Fund is a going concern. The one-year return for 2021/2022 of 4.59% and the three-year period since the 2019 valuation of 8.75% is greater than the actuary's long term target return for the Fund of +3.3% pa. The returns over all time periods were ahead of the long term absolute return deemed sufficient to support an affordable and stable level of contributions. The next actuarial valuation is based on data as at 2022, which will include a recovery period necessary to make good any potential increases in the funding deficit. The Fund's cash flow remains robust. The Fund held cash of £31.3m at the Balance Sheet date, equivalent to 3.6% of the Fund Assets. In addition, the Fund held £761m in Level 1 and Level 2 investment assets, which could be realised within 3 months if required. However, based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments. As such, the accounts have been prepared on a going concern basis.

3 Summary of Significant Accounting Policies

Fund Account – revenue recognition

(a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all that arise according to pensionable pay
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Additional employers' contributions in respect of ill-health and early retirements (augmentation) are accounted for in the year the event rose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

(b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

(c) Investment Income

i) Interest Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any

amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distribution from Pooled Funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Property - Related Income

Property related income consists primarily of rental income and is recognised at the date of issue.

v) Movement in the Net Market Value of Investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

(d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

(e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

(f) Management Expenses

The Fund discloses its pension fund management in accordance with the CIPFA guidance “*Accounting for Local Government Pension Scheme Management Expenses (2016)*”. All items of expenditure are charged to the fund on an accruals basis as follows

Administrative Expenses

All staff costs of the pension’s administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance Council policy and charged as expenses to the Fund.

Oversight and Governance Costs

All costs associated with oversight and governance are separately identified and recharged to the Fund and charged as expenses to the Fund.

Investment Management Expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are

shown separately in Note 11a and grossed up to increase the change in value of investments.

Fees charged by external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Officers' time spent on investment management functions are also charged to the Fund.

(a) Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Net Assets Statement

(h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016)*.

(i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

(j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

(k) Cash and Cash Equivalents

Cash comprises cash in hand (Fund's Bank Account) and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

(l) Financial Liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

(m) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

(n) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's are not included in the accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

(o) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short term yield/return.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount (£m)
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	<p>The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant.</p> <p>Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows:</p> <ul style="list-style-type: none"> • 0.1% p.a. decrease in the Real Discount rate could result in an increase of 2% • 0.1% p.a. increase in the Pension Increase Rate could result in an increase of 2% • 0.1% p.a. increase in Salary Increase Rate (CPI) could result in an increase of 0% • 1 Year increase in member life expectancy could result in a 4% increase 	<p>26</p> <p>23</p> <p>3</p> <p>57</p>
Level 3 Investments (Note 16a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £206m, which represents 22% of the total Fund value of £920m.	Sensitivity Analysis shows that the £206m valuation could decrease or increase within the range of £89m and £120m

6. Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 20) includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force from 1 April 2023.

The Fund has valued its assets based on the 31 March 2022 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Global growth forecasts continued to slide since March 2022 whilst inflation forecasts edged higher as existing inflation and supply chain issues are worsened by the ongoing Russia- Ukraine conflict and Chinese COVID lockdowns. Global Markets remain volatile, it is expected that higher energy and food prices, alongside financial market, and trade disruption to negatively impact global growth going forward. We believe the Fund is well positioned to manage uncertainties created by the invasion and for the purposes of these financial statements this is considered a non- adjusting event.

7. Contributions Receivable

By category

2020/21 £000		2021/22 £000
	Employees' contributions	
	Normal:	
6,268	London Borough of Havering	6,541
1,442	Scheduled Bodies	1,489
73	Admitted Bodies	75
	Additional contributions:	
6	London Borough of Havering	6
7,789	Total Employees' Contribution	8,111
	Employers' contributions	
	Normal:	
14,716	London Borough of Havering	16,341
5,545	Scheduled bodies	4,939
311	Admitted bodies	263
	Deficit funding:	
18,677	London Borough of Havering *	18,407
-	Scheduled bodies	667
	Augmentation	
341	London Borough of Havering	344
37	Scheduled bodies	50
2	Admitted Bodies	29
39,629	Total Employers' Contributions	41,001
47,418	Total Contributions Receivable	49,112

* The 2021/22 figure reflects additional contributions made by the Authority to the Pension Fund: consists of £12.650m secondary contributions and £6.044m voluntary planned contributions.

By authority

2020/21 £000		2021/22 £000
40,008	London Borough of Havering	41,613
7,024	Scheduled bodies	7,145
386	Admitted Bodies	354
47,418	Total Contributions Receivable	49,112

8. Transfers in from Other Pension Funds

2020/21 £000		2021/22 £000
4,896	Individual transfers	4,204
4,896	Transfers In from Other Pension Funds	4,204

9. Benefits Payable

By category

2020/21 £000		2021/22 £000
	Pensions	
30,798	London Borough of Havering	30,620
1,692	Scheduled Bodies	1,324
881	Admitted Bodies	936
33,371	Pension Total	32,880
	Commutation and Lump Sum Retirements	
3,577	London Borough of Havering	3,609
344	Scheduled Bodies	336
394	Admitted Bodies	-22
4,315	Commutation and Lump Sum Retirements Total	3,923
	Lump Sum Death Benefits	
976	London Borough of Havering	575
110	Scheduled Bodies	173
32	Admitted bodies	-
1,118	Lump Sum Death Benefits Total	748
38,804	Total Benefits Payable	37,551

By authority

2020/21 £000		2021/22 £000
35,351	London Borough of Havering	34,804
2,146	Scheduled bodies	1,833
1,307	Admitted Bodies	914
38,804	Total Benefits Payable	37,551

10. Payments To and On Account of Leavers

2020/21 £000		2021/22 £000
70	Refunds to members leaving service	81
40,438	Group Transfers*	-
4,122	Individual transfers	4,537
44,630	Payments to and on Account of Leavers	4,618

* 2020/21 College Transfer Settlement

11. Management Expenses

2020/21 £000		2021/22 £000
601	Administrative Costs	709
3,412	Investment Management Expenses	4,241
398	Oversight and Governance Costs	443
16	Oversight and Governance Costs - External Audit costs	78
1	Local Pension Board	3
4,428	Management Expenses	5,474

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance.

The investment management expenses above include £0.116m (2020/21 £0.102m) in respect of performance-related fees paid/payable to the fund's investment managers. It also includes £0.097m in respect of transaction costs (2020/21 £0.067m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 14).

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

11a. Investment Management Expenses

2021/22	Management Fees	Performance Related Fees	Transaction Cost	2021/22 Total
	£000	£000	£000	£000
Bonds	147	-	-	147
Fixed Interest Unit Trust	128	-	-	128
Diversified Growth Funds	598	-	15	613
Infrastructure	598	-	-	598
Global Equity	1,637	-	82	1,719
Other Investments				
Pooled Property	513	117	-	630
Private Debt	314	-	-	314
Derivatives – Forward Currency Contracts	19	-	-	19
	3,954	117	97	*4,168
Custody Fees				42
Performance Measurement Fees				31
Other Investment Fees				-
Investment Management Expenses				4,241

*Includes £2.238m charged for assets in the London CIV pool (£2.086m 2020/21)

2020/21	Management Fees	Performance Related Fees	Transaction Cost	2020/21 Total
	£000	£000	£000	£000
Bonds	162	-	-	162
Fixed Interest Unit Trust	106	-	-	106
Diversified Growth Funds	622	-	15	637
Infrastructure	313	-	-	313
Global Equity	1,445	-	52	1,497
Other Investments				
Pooled Property	304	102	-	406
Private Debt	190	-	-	190
Derivatives – Forward Currency Contracts	17	-	-	17
	3,159	102	67	*3,328
Custody Fees				37
Performance Measurement Fees				33
Other Investment Fees				14
Investment Management Expenses				3,412

* Includes £2.086m charged for assets in the London CIV asset pool (£1.732m 2019/20)

12. Investment Income

2020/21 £000		2021/22 £000
8,101	Pooled Investments – unit trusts and other managed funds	9,542
1,881	Income from Bonds*	1,339
1,887	Pooled Property Investments	2,580
3,841	Income from derivatives (Foreign Exchange Gains/(losses))	2,294
126	Interest on Cash Deposits	43
(297)	Other Income**	(821)
15,539	Investment Income	14,977

* Income includes Index linked Interest of £0.208m (2020/21 £0.137m)

** Management expenses to offset against gross income

13. Taxes on Income

2020/21 £000		2021/22 £000
-	Withholding Tax	-
-	Taxes on Income	-

14. Analysis of Investments

2020/21 £000		2021/22 £000
	Investment Assets	
150	Long Term Investments	150
150		150
	Bonds	
39,001	Fixed Interest Securities	22,977
36,897	Index-Linked Securities	39,097
75,898		62,074
	Pooled Investment	
61,822	Fixed Interest Unit Trust	63,252
87,978	Diversified Growth Fund	85,428
44,536	Infrastructure	56,760
477,416	Global Equity	473,469
671,752		678,909
	Other Investments	
68,986	Pooled Property	93,775
36,825	Private Debt	55,134
1,148	Derivatives – Forward Currency Contracts	50
106,959		148,959
3,321	Cash deposits Managers	16,985
480	Investment income due	363
3,801		17,348
858,560	Total Investment Assets	907,440
	Investment Liabilities	
	Derivative Contracts	
(262)	Forward Currency Contracts	(2,218)
(1)	Income Receivable	(2)
(263)	Total Investment Liabilities	(2,220)
858,297	Total Net Investments	905,220

14a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Fixed Interest Securities	39,001	18,071	(31,277)	(2,818)	22,977
Index-linked Securities	36,897	39,955	(39,380)	1,625	39,097
Pooled Investment Vehicles	671,902	88,999	(94,293)	12,451	679,059
Other Investments	105,811	29,213	(2,280)	16,165	148,909
	853,611	176,238	(167,230)	27,423	890,042
Derivatives – forward currency contracts	886	127,525	(127,525)	(3,054)	(2,168)
	854,497	303,763	(294,755)	24,369	887,874
Other Investment Balances:					
Cash Deposits (fund managers)	3,321				16,985
Investment income due	479				361
	858,297				905,220

	Market Value at 31 March 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2021
	£000	£000	£000	£000	£000
Fixed Interest Securities	49,206	19,163	(32,774)	3,406	39,001
Index-linked Securities	40,033	95,380	(99,896)	1,380	36,897
Pooled Investment Vehicles	519,985	33,363	(43,672)	162,226	671,902
Other Investments	89,760	23,815	(4,685)	(3,079)	105,811
	698,984	171,721	(181,027)	163,933	853,611
Derivatives – forward currency contracts	(728)	94,996	(94,996)	1,614	886
	698,256	266,717	(276,023)	165,547	854,497
Other Investment Balances:					
Cash Deposits (fund managers)	6,778				3,321
Investment income due	724				479
	705,758				858,297

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 14a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly

to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.097m (2020/21 £0.067m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2022 were as follows:

14b. Investments analysed by Fund Manager

Value 31 March 2021		Manager	Mandate	Value 31 March 2022	
£000	%			£000	%
Investments managed by London CIV asset pool:					
150	0.01	London CIV	Equities unquoted	150	0.02
111,270	12.96	Ruffer	Pooled Absolute Return Fund	119,358	13.19
191,042	22.27	Baillie Gifford	Pooled Global Alpha Growth Fund	-	0.00
-	-	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	155,312	17.16
87,978	10.25	Baillie Gifford	Pooled Diversified Growth Fund	85,428	9.44
-	-	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	44,694	4.94
-	-	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewable	6,916	0.76
390,440	45.49			411,858	45.51
PLUS Life Fund Investments aligned with London CIV asset pool:					
175,105	20.41	Legal & General Investment Management	Passive Global Equities/ Emerging Markets/Future World	166,105	18.35
565,545	65.90	London CIV Total		577,963	63.86
Investments managed outside of the London CIV asset pool:					
38,731	4.51	Royal London Index linked Bonds Fund	Investment Grade Bonds	40,456	4.47
37,958	4.42	Royal London Corp Bond Fund	Investment Grade Bonds	22,257	2.46
61,822	7.20	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	63,251	6.99
41,034	4.78	UBS Property	Pooled Property	61,467	6.79
27,793	3.24	CBRE	Global Pooled Property	32,308	3.57
19,118	2.23	Stafford Capital SISF II	Overseas Pooled Infrastructure	20,304	2.24
1,557	0.18	Stafford Capital SISF IV	Overseas Pooled Infrastructure	7,487	0.83
23,861	2.78	JP Morgan	Overseas Pooled Infrastructure	23,302	2.57
19,138	2.23	Churchill II	Overseas Pooled Private Debt	20,855	2.30
-	-	Churchill IV	Overseas Pooled Private Debt	7,756	0.86
17,687	2.06	Permira PCS4	Overseas/UK Pooled Private Debt	26,524	2.93
2,666	0.31	Russell Investments	Currency Management	(1,538)	(0.17)
1,387	0.16	Other	Other	2,828	0.31
292,752	34.10	Managed outside asset pool Total		327,256	36.15
858,297	100.00	Total Fund		905,220	100.00

The following investments represent more than 5% of the net assets of the Fund

Market Value 31 Mar 2021 £000	% of Total Fund	Security	Market Value 31 Mar 2022 £000	% of Total Fund
191,042	21.85	London CIV Global Alpha Fund	-	-
-	-	London CIV Global Alpha Paris Aligned Fund	155,312	17.16
111,270	12.73	London CIV Ruffer Absolute Return Fund	119,358	13.19
-	-	LGIM Future World Fund	93,296	10.31
87,978	10.96	London CIV Diversified Growth Fund	85,428	9.44
61,822	7.07	Royal London Multi Asset Credit Pooled Fund	63,251	6.99
-	-	UBS Property	61,467	6.79
71,550	8.18	LGIM All World Equity Index	-	-
64,316	7.36	LGIM FTSE RAFI AW 3000 Index	-	-
597,978		Total Fund	578,112	63.88

14c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, Legal and General Investment Management (LGIM), who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2022, the value of quoted equities on loan was £2.195m (31 March 2021 £3.233m). These equities continue to be recognised in the fund's financial statements.

15. Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and various investment managers.

Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London. A breakdown of forward contracts held by the Fund as at 31 March 2022 is given below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Up to One month	GBP	17,087	EUR	(17,234)	-	(147)
	GBP	22,386	USD	(22,994)	4	(612)
	GBP	2,046	AUD	(2,198)	-	(152)
	USD	113	GBP	(110)	3	-
	EUR	1,603	GBP	(1,590)	13	-
Up to Two months	GBP	15,950	EUR	(16,132)	-	(182)
	GBP	23,042	USD	(23,745)	-	(703)
	GBP	2,138	AUD	(2,307)	-	(169)
	USD	354	GBP	(346)	8	-
	EUR	938	GBP	(933)	5	-
Up to Three months	AUD	333	GBP	(316)	17	-
	GBP	17,171	EUR	(17,391)	-	(220)
	GBP	20,492	USD	(20,523)	-	(31)
	GBP	2,693	AUD	(2,695)	-	(2)
	USD	643	GBP	(643)	-	-
	EUR	332	GBP	(332)	-	-
	AUD	204	GBP	(204)	-	-
Open forward currency contracts at 31 March 2022					50	(2,218)
Net forward currency contracts at 31 March 2022						(2,168)
Gross open forward currency contracts at 31 March 2021					1,148	(262)
Net forward currency contracts at 31 March 2021						886

16. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

Asset and Liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

Level 3

Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The Valuation basis for each category of investment asset is set out below:

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled Quoted	Level 2	Published bid	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Unquoted investments	Level 2	Developed using Market Data	No material difference between the value of assets & liabilities and their fair value	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments- property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation Standards	Valuations could be affected by significant differences in rental value and rent growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled Instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount.
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt Funds (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure (LCIV)	Level 3	Fair Values are calculated in whole or in part using techniques based in assumptions using IA SORP	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-) %	Value at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	4.65	93,775	98,135	89,414
Pooled unit Trusts	7.60	111,894	120,399	103,391

16a. Fair Value Hierarchy

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	196,572	566,664	144,202	907,438
Financial Liabilities				
Financial assets at fair value through profit and loss	0	(2,218)	0	(2,218)
Net Financial Assets	196,572	564,446	144,202	905,220

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	435,511	272,703	150,346	858,560
Financial Liabilities				
Financial assets at fair value through profit and loss	-	(263)	-	(263)
Net Financial Assets	435,511	272,440	150,346	858,297

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16b Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2021	Transfer Into Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Property Funds	68,985	10,000	-	(94)	14,884	-	93,775
Infrastructure	44,536	14,274	1,257	(4,272)	1,105	(140)	56,760
Private Debt	36,825	27,993	1,220	(2,186)	1,331	(49)	55,134
Total	150,346	42,267	2,477	(6,552)	17,320	(189)	205,669

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account

(a) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Infrastructure Level 3

(b) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Private Debt Level 3

(c) All transfers between levels are recognised in the month in which they occur.

17 Financial Instruments

(a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net asset statement heading. No financial instruments were reclassified during the accounting period.

31 Mar 2021				31 Mar 2022		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
39,001	-	-	Bonds -Fixed Interest Securities	22,977	-	-
36,897	-	-	Bonds - Index linked securities	39,097	-	-
1,148	-	-	Derivative contracts	50	-	-
671,752	-	-	Pooled investment Vehicles	678,909	-	-
36,825	-	-	Private debt	55,134	-	-
68,986	-	-	Property	93,775	-	-
-	3,321	-	Cash	-	16,985	-
-	480	-	Other Investment Balances	-	363	-
-	16,403	-	Debtors	-	15,612	-
854,759	20,204	-	Financial Assets Total	890,092	32,960	-
			Financial Liabilities			
(1)	-	-	Other Investment Balances	(2)	-	-
(262)	-	-	Derivative contracts	(2,218)	-	-
-	-	(465)	Creditors	-	-	(749)
(263)	-	(465)	Financial Liabilities Total	(2,220)	-	(749)
854,496	20,204	(465)	Grand total	887,872	32,960	(749)
874,235				920,083		

(b) Net Gains and Losses on Financial Instruments

202021 £000		2021/22 £000
	Financial assets	
165,548	Fair value through profit and loss	25,198
165,548	Total	25,198

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the authorities' pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

(a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investing return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for the 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2022 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	536,871	15.30	619,012	454,730
Total Bonds	62,074	7.00	66,419	57,729
Pooled Overseas Unit Trusts	111,894	7.60	120,398	103,390
Global Pooled inc.UK	85,428	4.70	90,810	80,046
Pooled Property	93,775	6.30	98,182	89,368
Cash	15,178	0.50	15,254	15,102
Total	905,220		1,010,075	800,365

Asset Type	Value as at 31 March 2021 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	539,389	15.6	623,532	455,243
Total Bonds	75,898	7.7	81,743	70,054
Pooled Overseas Unit Trusts	81,361	7.8	87,707	75,015
Global Pooled inc.UK	87,978	6.5	93,697	82,260
Pooled Property	68,985	3.4	71,331	66,640
Cash	4,686	0.6	4,714	4,658
Total	858,297		962,724	753,870

Interest Rate Risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

Interest Rate Risk Sensitivity Analysis

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk

Assets exposed to interest rate risk	Value as at 31 March 2022 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	62,074	621	62,695	61,453
Cash and Cash Equivalents	15,178	152	15,330	15,026
Cash Balances	14,260	143	14,403	14,117
Total Change in Asset Value	91,512	916	92,428	90,596

Assets exposed to interest rate risk	Value as at 31 March 2021 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	75,898	759	76,657	75,140
Cash and Cash Equivalents	4,686	47	4,733	4,639
Cash Balances	15,963	160	16,123	15,804
Total Change in Asset Value	96,547	966	97,513	95,583

Currency Risk

Currency risk represents the risk that fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 7.34% over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.34% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March 2022 £000	Potential Market movement at 7.34% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	110,762	8,130	118,892	102,632
Overseas Cash	1,169	86	1,255	1,083
Total change in assets available to pay benefits	111,931	8,216	120,147	103,715

Assets exposed to currency risk	Value as at 31 March 2021 £000	Potential Market movement at 8.40% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	91,468	7,683	99,151	83,784
Overseas Cash	541	45	587	496
Total change in assets available to pay benefits	92,009	7,728	99,738	84,280

(b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties.

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under its treasury management arrangements as at 31 March 2022 was £14.260m (31 March 2021 £15.963m). The Pension Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow statements are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's strategy holds assets that are considered readily realised.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of liquid assets was £714m, which represented 78% of the total Fund (31 March 2021 £724m, which represented 83% of the total fund assets).

(d) Refinancing Risk

The key risk is that the Authority will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Authority does not have any financial instruments that have a refinancing risk as part of its investment strategies.

19. Funding Arrangements

Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated December 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by council tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £733 million, were sufficient to meet 70% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £320 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Assumptions	31 March 2019
	%
Discount Rate for Period	3.3
Salary increases assumption	3.0
Benefit increase assumption (CPI)	2.3

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	23.7 years
Future Pensioners*	22.4 years	25.2 years

* Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at March 2022 is likely to be better than reported at the previous formal valuations as at March 2019.

It is important to note that the formal triennial valuation exercise is as 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Updated Triennial Valuation

The triennial valuation is performed by the actuary every three years. The valuation was last updated using data as at 31 March 2022 which came into effect 1 April 2023. Whilst the information is more current, Note 19 Funding Arrangements financial information and assumptions used are those in the 2019 valuation. The 2022 valuation can be found on the Havering website or by clicking this link <https://www.havering.gov.uk/downloads/file/6134/pension-valuation-report-2022>

The material assumptions differ as follows:	31 March 2019	31 March 2022
	%	%
Financial Assumptions		
Discount rate for period	3.3	3.5
Salary increases assumptions	3.0	3.4
Benefit increase assumption (CPI)	2.3	2.7

Future Life Expectancy			31 March 2022	
	Males	Females	Males	Females
Current pensioners	21.6 years	23.7 years	21.7 years	24.3 years
Future pensioners	22.4 years	25.2 years	22.6 years	25.8 years

Funding Position	31 March 2019	31 March 2022
	£m	£m
Market value of assets	733	920
Value of liabilities	1,054	938
Surplus/(Deficit)	(320)	(18)
Funding level on SAB basis	80%	98%

Table does not add down due to rounding

20. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities to disclose the actuarial present value of retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

31 March 2021	Year Ended	31 March 2022
£m		£m
1,557	Present Value of Promised Retirement Benefits	1,435
874	Fair Value of Scheme assets (bid value)	920
683	Net Liability	515

The promised retirement benefits at 31 March 2022 are based on the results of the 31 March 2022 funding valuation using the Fund's membership as at 31 March 2022.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

It should be noted that the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. It is estimated that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £105m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £12m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2021 % p.a.	Year Ended	31 March 2022 % p.a.
2.85	Pension Increase Rate	3.20
3.55	Salary Increase Rate	3.90
2.00	Discount Rate	2.70

Demographic assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners	22.6 years	25.8 years

Please note that the longevity and other demographic assumptions are in line with 31 March 2022 funding valuation. The assumptions have changed since the previous IAS26 disclosure for the Fund as at 31 March 2021.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions at 31 March 2020	Approximate % increase to promised retirement benefits %	Approximate monetary amount £m
0.1% p.a. decrease in the Real Discount Rate	2	26
1 year increase in member life expectancy	4	57
0.1% p.a. increase in the Salary Increase Rate	0	3
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	23

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2022, which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

21. Current Assets

2020/21 £000		2021/22 £000
	Debtors:	
307	Contributions due from employers	676
79	Contributions due from employees	195
116	Pension Fund Bank Account Balances	117
9	Sundry Debtors	326
15,876	Cash deposit with LB Havering	14,167
16	Holding Accounts	131
16,403	Current Assets	15,612

22. Current Liabilities

2020/21 £000		2021/22 £000
	Creditors:	
(252)	Benefits Payable	(301)
(169)	Sundry Creditors	(293)
(44)	Holding Accounts	(155)
(465)		(749)

23. Additional Voluntary Contributions

Market Value 2020/21 £000	AVC Provider	Market Value 2021/22 £000
841	Prudential*	810
144	Standard Life	148

Some employees made additional voluntary contributions (AVC's) of £31,422 (2020/21 £31,030) excluded from these statements. These are deducted from the employees' salaries and forwarded to the stakeholder pension schemes provided by the Prudential and Standard Life. The amounts forwarded during 2021/22 were £29,022 (2020/21 £28,730) to the Prudential and £2,400 (2020/21 2,400) to Standard Life.

24. Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

2020/21 £000		2021/22 £000
1,329	Payments on behalf of Havering Council	1,270

25. Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £0.682mm (2020/21 £0.538m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

The Authority is also the largest employer in the Fund and in 2021/22 contributed £34,643m (2020/21 £32.392m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of the London Borough of Havering, through a service level agreement. As at 31 March 2022 cash holdings totalled £14.167m (2020/21 £15.837m), earning interest over the year of £0.043m (2020/21 £0.126m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2022 (2020/21 £0.150m) are included as long term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 14b. During 2021/22 a total of £2.238m was charged to the Fund by the London CIV in respect of investment management services (2020/21 £2.086m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pension Fund Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 11.

Note 25a Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and member's allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2022 were £117.36m (31 March 2021 £50.62m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.396m in respect of individuals transferring out of the pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Four admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.34m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Six admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £0.41m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.

Glossary

Accounting Policies Those principles, bases, conventions, rules and practices applied by an entity that specify how the effect of transactions and other events are to be reflected in its financial statements through:

- (i) recognising
- (ii) selecting measurement bases for, and
- (iii) presenting assets, liabilities, gains, losses and charges to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accruals The amounts by which receipts or payments are increased (or reduced) in order to record the full income and expenditure incurred in an accounting period.

Actuary An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the Fund's financial position and recommended employers' contribution rates.

Agency Arrangement An arrangement whereby an authority (the agent) acts on behalf of another (the principal) to collect income or incur expenditure on the behalf of the principal. Such income or expenditure is not included in the agent's accounts other than any commission paid by the principal.

Amortisation The writing off of an intangible asset or loan balance over a period of time.

Appropriation The transfer of ownership of an asset from one service to another at an agreed (usually market) value.

Balance Sheet A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Bid Price The purchase price that a buyer is willing to pay for an asset.

Budget A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the council tax is set. Budgets are revised towards the year end to take account of inflation, changes in patterns of services, and other factors.

Capital Expenditure Expenditure on the acquisition of fixed assets or expenditure which adds to the value of an existing fixed asset.

Capital Financing Requirement The measure of an authority's capital borrowing need under the Prudential Code and the Local Government Act 2003. It is made up of the total value of the Authority's fixed assets and intangible assets less the sums accumulated in the revaluation reserve, deferred grant reserve and capital adjustment accounts.

Capital Receipt Income received from the sale of a capital asset such as land or buildings.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code) Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This includes, for the purposes of local government legislation, compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), prepared by the CIPFA/LASAAC Local Authority Accounting Code Board. The Code is reviewed continuously and is issued annually.

Collection Fund A Statutory Account which receives council tax and non-domestic rates to cover the costs of services provided by Havering and its precepting authorities.

Community Assets Assets that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement A statement showing the income and expenditure for the year of all the functions for which the Authority is responsible and complies with accounting practices as required under International Financial Reporting Standards (IFRS).

Contingent Assets A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent Liability A possible liability to future expenditure at the balance sheet date dependent upon the outcome of uncertain events.

Defined Benefit Scheme A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Earmarked Reserves Amounts earmarked to fund known items of anticipated expenditure for which the liability is not chargeable to the current year's Accounts.

Effective Interest Rate The rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at the initial recognition.

Finance Lease A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Asset A right to future economic benefits controlled by the Authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or other financial asset) from another entity.
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instrument A contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial Liability An obligation to transfer economic benefits controlled by the Authority that is represented by:

- A contractual obligation to deliver cash (or other financial asset) to another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

General Fund (GF) Havering's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance Revenue Funds which are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Historic Cost The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA) A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment The reduction in value of a tangible or intangible fixed asset reflecting either (i) the consumption of economic benefits such as obsolescence or physical damage or (ii) a general fall in prices. In the former case, the impairment is a charge to the revenue account; in the latter, the impairment is a charge to the Revaluation Reserve or Capital Adjustment Account.

Infrastructure Assets Assets which have an indeterminate life and although valuable do not have a realisable value e.g. roads.

London Collective Investment Vehicle (CIV) was launched in December 2015, is the first fully authorised and regulated investment management company set up by Local Government in the UK. They have been established as a collective vehicle for investments for Local Government Pension Scheme Funds.

Long Term Assets – assets that yield benefit to the Authority and the services it provides for a period of more than one year. Fixed Assets are sub-divided into **Tangible** and **Intangible**: the former are physical assets such as land, buildings and equipment; the latter are assets such as computer software or marketable research and development. Long term assets were previously called **fixed assets** on the balance sheet.

Minimum Revenue Provision (MRP) The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). The MRP is based on the Council's capital financing requirement.

Movements in Reserves Statement (MiRS) This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services.

Net Book Value The amount at which fixed assets are included in the balance sheet after depreciation has been provided for.

Net Current Replacement Cost The current cost of replacing or recreating an asset in its existing use, adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Operational Assets Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples include investment and surplus properties.

Non Distributed Costs Costs which are not chargeable to services and comprise of:

- Retirement benefit costs (past service costs, settlements and curtailments)
- Unused share of IT facilities

The costs of shares of long term unused but unrealisable assets.

oneSource A partnership between the London Boroughs of Bexley, Havering and Newham through a joint-committee arrangement to deliver support services. This will release resources to be applied to the protection of front-line services.

Operational Assets Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its services.

Operating Lease A lease other than a finance lease, i.e. a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

Outturn The actual level of expenditure and income for the financial year.

Post Balance Sheet Events Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts are approved for issue by the Chief Operating Officer

Precept The charge made by one authority (e.g. Greater London Authority) on another authority (e.g. Havering) to finance its net expenditure.

Provisions Amounts set aside to fund known liabilities chargeable to the current year's Accounts where the exact amount or timing of the payment are not yet certain.

Prudential Code Since April 2004 local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much capital investment they can afford to fund through borrowing. The objectives of the code are to ensure that authorities' capital spending plans are affordable, prudent and sustainable, with authorities being required to set specific prudential indicators.

Public Works Loans Board (PWLb) Central Government Agency which funds much of Local Government borrowing.

Revenue Expenditure The day to day expenditure of the Authority, e.g. salaries, depreciation, goods and services.

Revenue Expenditure Funded from Capital Under Statute Expenditure which would otherwise be classified as revenue, but which is classified as capital expenditure for control purposes. Examples include items such as improvement grants and loan redemption expenses.

Revenue Support Grant The main grant paid by the Government to local authorities.

Supported Borrowing supported by central government grant towards the financing costs, mainly through Revenue Support Grant.